



October 2018



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## Get in touch with us

To gather information for this statement, we made every effort to make sure we got in touch with all our stakeholders. We talk more about this in our approach to gathering information.

If we have missed you off our stakeholder list and you would like to give us feedback on this statement, please get in touch with us using the details on this page. We may ask you to call our switchboard if you use our webchat communication channel.

We will also make sure that we get in touch with you the next time we write our statement so that you have the opportunity to help shape this statement.

### You can contact us in the following ways.



Email: [publicaffairs@yorkshirewater.co.uk](mailto:publicaffairs@yorkshirewater.co.uk)



Sending comments via our website link:  
[yorkshirewater.com/contactus](http://yorkshirewater.com/contactus)



Or posting them to us:  
**Regulation Department**  
**Yorkshire Water, Western House,**  
**Western Way,**  
**Buttershaw, Bradford**  
**BD6 2SZ.**

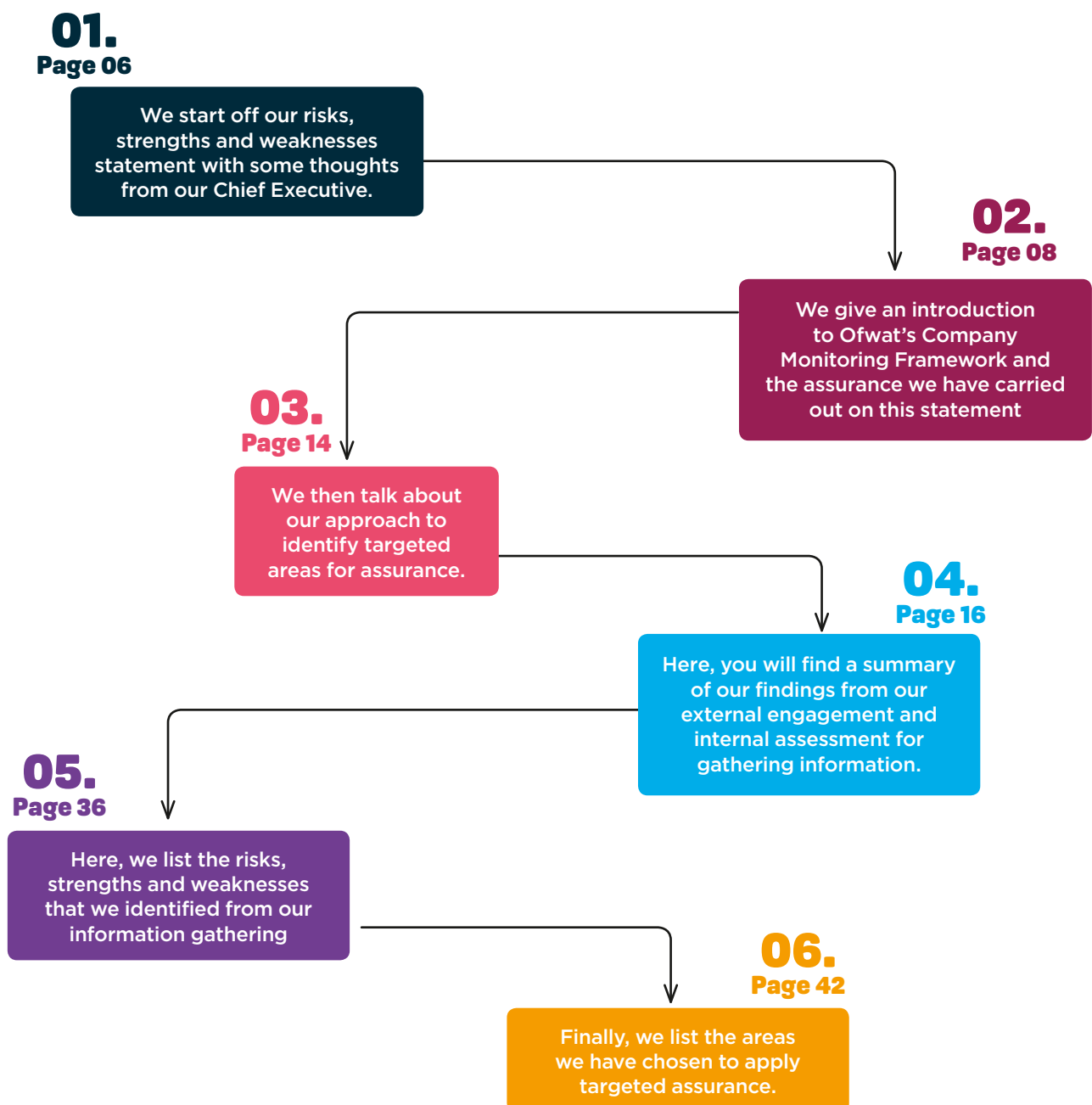
**1.**

# Finding your way around this document

## We are committed in making our publications easy to read and navigate through.

We have produced a much shorter version of this statement which includes steps 3 and 6 from the flow chart below. It can be found on our reports webpage here: [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

Below is a flow chart of the journey you will go through when reading our Risks, Strengths and Weaknesses Statement.



**2.**

**Some thoughts  
from our  
Chief Executive**



The Board of Yorkshire Water is committed to delivering the best possible service to customers and protecting the natural environment, all for a price people can afford.

In 2015 we agreed seven outcomes with our customers, supported by 26 performance commitments. Your water bill pays for the successful delivery of those outcomes and commitments, underpinning the service we deliver, so it's right that we should report to you on how we're doing in delivering on our commitments. It's very important that you can trust what we do and have confidence in the information we publish.

It is important that we know what you think, and how well we are doing, and so we consult with you about the risks, strengths and weaknesses in the information we publish. To make sure we know what you think we have gathered the views of our household customers, businesses, customer advocacy groups, financial bodies and regulators.

Last year you told us to make our publications easy to find, easy to read, accurate and trustworthy. The Yorkshire Forum for Water Customers echoed this feedback and added that we needed to make use of plain English. Since that time, we've made a real effort to improve our reporting. This is evidenced by Ofwat, our regulator, which improved our position from the 'prescribed' category to the 'targeted' category in the Company Monitoring Framework. In our drive to be

more transparent about our performance and about our company structure we were pleased to be the only water company to exceed Ofwat's expectations on 'board leadership, transparency and governance'.

Whilst this is great, we know there is still more we can do. We want to carry on improving so that you consider us as one of the most transparent and trustworthy companies to serve you.

This statement summarises the feedback we've received from customers and other stakeholders, accompanied by our own view of where we can improve our reporting and where we need to focus our assurance activities to give you absolute confidence in us and our published information.

However, we would like to hear from as many people as possible, so if you would like to give us feedback, we've provided a number of ways to contact us on page 3.

A handwritten signature in black ink, appearing to be 'R. S. Hunt'.

**Chief Executive Officer  
Yorkshire Water Services Limited  
October 2018**

**3.**

# Assurance framework



We want you to have confidence in what we do, and we want you to have trust in the information we publish. To meet this objective and understand what our customers and stakeholders need from us, we carry out a risks, strengths and weaknesses consultation. Through this process we gather the views of all our stakeholders and combine them with our own assessment of our performance so that we have a clear understanding of the improvements we need to make, we call these our 'targeted areas'.

## What is the Company Monitoring Framework (CMF)?

Our regulator Ofwat, has introduced a process for assessing the quality of the information we provide for our customers and stakeholders. It assesses whether the information is accurate, transparent, timely and tailored to its audience. This is called the CMF. Ofwat completes a CMF assessment annually and places companies into one of three assurance categories: self-assurance; targeted; or prescribed. Each year, water companies can move up from targeted to self-assurance, or prescribed to targeted assurance, they cannot move up two categories, for example, from prescribed to self-assurance. They can also move down.

### Prescribed

Water companies were placed in this category when they did not meet the reporting requirements that customers and stakeholders expect.

### Targeted

Water companies were placed in this category when they did not consistently meet the reporting requirements that customers and stakeholders expect.

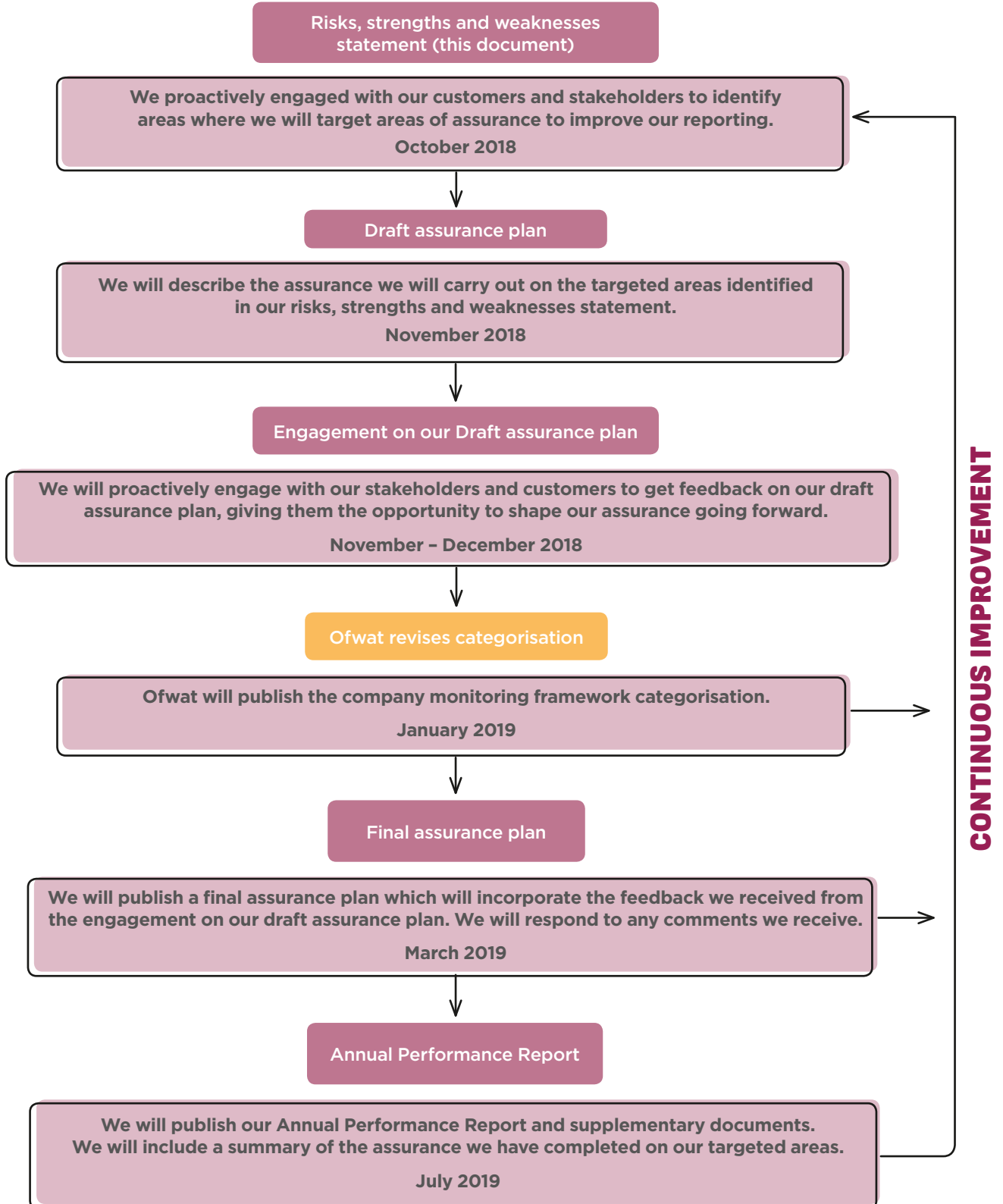
### Self assurance

Water companies were placed in this category when they consistently meet the reporting requirements and demonstrate leading edge behaviour.

We were placed in the targeted category following the November 2017 Ofwat CMF assessment, an improvement from 'prescribed' in the previous year, but we know there is still more we can do. We will continue to challenge ourselves to make sure that information we publish can be trusted by our customers. You can read about the improvement steps we have taken towards achieving self assurance status in Section 5 of our Annual Performance Report (APR) 2017/2018.

## Where does this statement fit in the assurance framework?

The Company Monitoring Framework process begins with a Risks, Strengths and Weaknesses Statement which we send to Ofwat and publish each autumn. The flow diagram below describes the process that we follow during the reporting year. It's a step by step approach to making sure we focus our efforts where there is greatest risk to the accuracy of our reporting, and drives continuous improvement so that each year, we get better at presenting information to you.



## Assurance of this statement

It is important to us that our customers and stakeholders can be sure of the quality of the information we publish so that they have trust and confidence in us. We applied our three levels of assurance methodology in creating this statement. In summary, this is the assurance we carried out at each level.

### LEVEL 1

We assigned a publication manager to this statement and data providers to provide the information we needed.

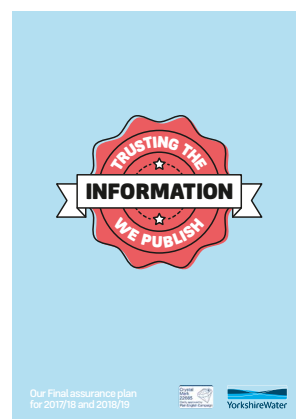
### LEVEL 2

Senior managers and directors reviewed and approved the approach and the final statement.

### LEVEL 3

The Yorkshire Forum for Water Customers reviewed our statement and challenged our customer and stakeholder engagement approach to make sure it was comprehensive. Internal audit reviewed our approach against the Ofwat guidance to make sure it met the requirements.

If you'd like to learn more about how we check our reports and information, using our methodology which we call the three levels of assurance, click here to view our reports webpage, where you can find our final assurance plan and data assurance summary. [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)



**4.**

**Why it's important  
to think about our  
risks, strengths  
and weaknesses  
statement**

**Each year we publish information about the services we deliver, the charges we levy and our performance in meeting our commitments to you. We know that our information needs to cover what customers and stakeholders want and need to know, and that it must be easy to find and easy to read. You need to be assured that all the information is accurate and reliable, so you can have confidence and trust in what we publish. This statement shares with you what we have heard, what we plan to do to improve and how you can have your say on these plans.**

We provide vital services to all our customers and play a significant role in protecting the environment. It is important for you to be able to see how well we are delivering those services for the money you pay.

The information we publish about our performance tells you how well we are doing against our promises. If we don't assure, present and publicise our performance information correctly then we risk losing your trust and confidence.

Every year we consult with customers and other stakeholders about the information we publish. This lets us know where we can improve. Our customers told us we sometimes use jargon and that our reports can be hard to understand.

We've consulted with you again in 2018 so that we remain clear on what we're getting right and where we can still improve. In the November 2017 Ofwat CMF assessment, we improved our position from the 'prescribed' category to the 'targeted' category. We exceeded Ofwat's expectations in three areas; board leadership, transparency and governance and, the assurance plan and data assurance summary. However, for the Financial Monitoring Framework area, minor concerns were raised, and we know there is more work to do.

Over the past year, based on your feedback, we think we've made significant strides in our reporting and assurance. To make sure that we continue to get it right we've looked again at how we identify risks, how well we share information with you, and how effective we are at making sure we're meeting everyone's needs. We will continue to challenge ourselves to make sure we publish information that you can trust.

We are committed in making sure our publications are easy to read and understand. We have created a shorter version of our Risks, Strengths and Weaknesses statement which contains the following:

- Our approach to gathering information
- Our targeted areas of assurance

We have gained the Plain English Campaign Crystal Mark for our shortened statement bringing us closer in achieving our commitment in making our documents easy to read. You can view the shorter version on our reports webpage: [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

The information we have obtained from this risks, strengths and weaknesses exercise has been incorporated into our new draft assurance plan for 2018/2019 and 2019/2020. We want to continue to maintain what went well from last year and continue to improve in areas where we've identified risks and weaknesses. Our draft assurance plan can be viewed at [yorkshirewater.com/reports](http://yorkshirewater.com/reports). This draft assurance plan is open for consultation and feedback until 31 December 2018.

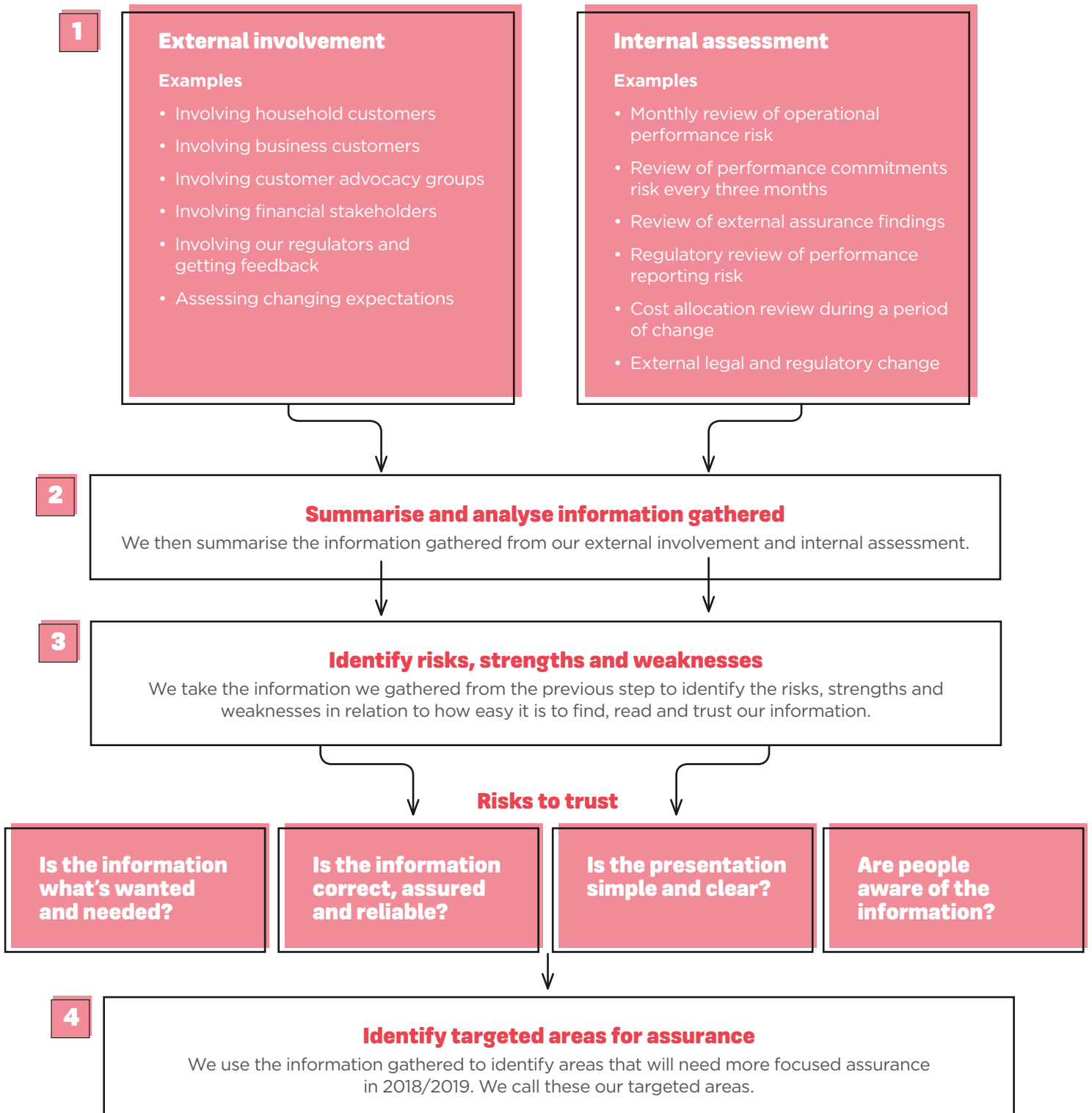
**5.**

# **Our approach to gathering information**

## Our approach to understanding our Risks, Strengths and Weaknesses Statement

We gather information from a variety of sources to understand where there are risks, strengths and weaknesses in the information we publish and in the way we report it. Our four-step process to identify our targeted areas for assurance is set out below.

### Gather information



**6.**

**Summary of  
our findings  
from our external  
engagement  
and internal  
assessment**





**In this section, we present the findings from our consultations with customers and other stakeholders.**

We aim to provide the right information in our reporting, that is accessible, accurate and easy to understand so that you can have confidence and trust in us and in what we do.

Following the improvements we have made to our reporting, we have received positive feedback that reinforces the view that there is trust in the information we publish. It has also recognised the efforts we have made to improve the style and accessibility of our information. We were particularly pleased to hear that customers found our information to be what they expected to read, it was relevant to them and trustworthy.

Customers have provided clear feedback on which pieces of information are of greatest importance to them and which are of lesser importance. This provides us with an opportunity to segment the reporting in a way that improves the accessibility and relevance of the information whilst maintaining the detail required by all stakeholders.

The engagement described below are a combination of the information we have gathered from our continuous and ongoing engagement with our customers and other stakeholders as well the engagement we carried out specifically for this statement. We have summarised our findings from our customers on page 22 and from our other stakeholders on page 26.

## How we have engaged with our customers

We have and will continue to use the following channels of engagement with our customers:

- Engagement through surveys via email. Consists of more than 7000 customers.
- Online community called Your Water which consists of over 1000 customers who regularly comment on and take part in research on a host of different subjects related to topics like customer service, reporting, our plans or even just the way in which we communicate with them. Participation is not compulsory, so sample size is variable.
- Focus groups with our customers which provide direct face-to-face feedback. Prior to attending the workshop, participants are sent a draft or final version of the report we are seeking feedback on and they are asked to read the report thoroughly. They are also sent a workbook to record their individual views and annotate the reports. We make sure the participants in our focus groups meet the following requirements:
  - they are main or joint bill payers
  - mix of ages, gender, ethnicities, working statuses
  - a mix of metered and non-metered customers
  - include customers who find themselves in vulnerable circumstances
- Monthly customer tracking survey where we track customer sentiment, brand awareness, communication channel awareness and our net promoter score.
- Weekly analysis of our social media data to look for trends, improvements, new conversation threads and total published posts.
- Making documents readily available on our website for anyone to provide feedback.

We always make sure we engage with a wide range of customers considering vulnerability, age, gender, location and whether they are metered or unmetered across all channels.

### Final assurance plan

In developing our final assurance plan 2018/2019 we created a customer consultation programme. The aim of the programme was to undertake a significant customer review of our draft assurance plan and had the following objectives to find out:

1. If our customers understood our new assurance plans
2. whether customers found our plan clear, understandable & easy to read
3. if customers see our assurance process as robust
4. the level of customer support for our assurance plan, and
5. if the assurance plan enhances trust and confidence in the data we report.

The consultation included a multi-channel approach to engagement. First, the draft assurance plan was made available for review via the Yorkshire Water website with a link to a survey for feedback. The survey was also sent to customers via email, through which we received 393 responses. The report was also shared with our online community and 164 members of the community participated. In addition, we ran focus groups with customers on the document. In total, we received feedback from over 500 of our customers which we have summarised on page 22.

### Annual performance report

In developing our Annual performance report, we asked our Your Water community of around 1000 customers for feedback on the overall report, its clarity and the sections that they liked and disliked and how we could improve. We had nearly 100 responses and we have summarised our findings on page 22. We used the feedback to create our Annual Performance Report (APR) focussed around what our customers wanted.

## Website navigation

We're always looking at new ways to improve navigation around our website, particularly our reports webpage. Before we made any changes to our website, we sought feedback from our customers through the Your Water community. We asked them:

- How easy or difficult was it to find the Our Reports webpage?
- How long approximately did it take you to read the document?
- Was the webpage where you expected it to be?
- Is there any way in which Yorkshire Water could improve the navigation of the website?
- Did you find any difficulties trying to navigate to the reports webpage?
- What do you think about the layout of our reports webpage?

We had over 60 responses. Following the feedback, we improved navigation to our reports webpage by adding a banner on our homepage. This makes it much easier for customers to find our reports. The Our reports webpage on our website has been redesigned to make it easier to find our current reports as well as reports from earlier years.

## Performance summary report

We ran focus groups to get feedback on a draft version of our performance summary report. We structured the focus groups to cover five areas:

- **Language** – is it accessible and easy to understand?
- **Comprehension** – Is it easy to read?  
Do customers trust the information?
- **Navigation and layout** – Is it easy to follow?  
Do they like the way that it's presented?
- **Communication** – are there enough facts, figures and images? Is the level of information right?
- **Accessibility** – where would they expect to see this report? How should the report be communicated?

We used the feedback received to create the final version of our performance summary report.

## Group structure diagram and description

In the November 2017 Ofwat Company Monitoring Framework (CMF) assessment, we exceeded expectations in the 'Compliance with principles of board leadership, transparency and governance' category and we were the only water company to do so. We want to continue to demonstrate leading edge behaviour in this area. To improve our group structure diagram and description for our 2017/2018 APR, we asked our Your Water community how we could improve. We had over 60 responses. We used the feedback to create a group structure diagram which met the needs of our customers.

## Long term strategy

The research on our Long Term Strategy aimed to establish levels of support for our 5 Big Goals, to identify any gaps in the long term strategy document and to understand any concerns that customers might have. You can read our Long Term Strategy here [www.yorkshirewater.com/biggoals](http://www.yorkshirewater.com/biggoals) on our website.

## Methodology

Our customers' views were collected via an online survey and with our online community members from Your Water.

To encourage open consultation on the long-term strategy. We held 'Customer Closeness' sessions between our customers and directors. This allowed the Kelda Management Team to hear customers feedback on the long-term strategy first hand.

## Wholesale charges scheme

To develop our wholesale charges scheme, we asked our Your Water community to feedback on:

- Whether the wholesale charges scheme information was easy to locate and access on our website.
- Whether the level of detail in the non-primary and primary charges was sufficient.
- Whether the charges scheme was simple, clear, easy to read and easy to interpret.
- Whether the charges scheme was transparent.
- The application of the Large User Tariff.
- Whether our customers had encountered any issues with any of the charges within the wholesale charges scheme.
- How our wholesale charges scheme compared with other water and sewerage companies.

We had 10 responses and we have summarised our findings on page 21.

## **Risks, Strengths and Weaknesses statement (this statement)**

In developing our risks, strengths and weaknesses statement, we asked our Your Water online community of around 1000 customers for feedback.

We asked whether they thought our statement is easy to understand, is clear and easy to digest. We asked them whether they thought our approach to gathering information for the statement was comprehensive and logical. Finally, we asked our customers how we could improve our statement.

We had over 100 responses and we have summarised our findings from page 22 onwards.

What our customers told us about this statement:

- Over 70% of customers agreed or strongly agreed that our statement is well presented and easy to understand.
- Over 70% of customers agreed or strongly agreed that the language in our statement is clear and easy to digest.
- Less than 50% of customers agreed or strongly agreed that the statement was relevant to them and 63% agreed or strongly agreed that we should make the statement widely available.
- 63% of customers told us that they would like a shorter version of this statement. We listened to our customers and created a shorter version of this statement available on our reports webpage: [\*\*www.yorkshirewater.com/reports\*\*](http://www.yorkshirewater.com/reports)





## What our customers told us

We have summarised the feedback that we received from our customer engagement and grouped the feedback into the following themes:

- current concerns about information that is reported,
- relative importance a customer places on the various information the company reports,
  - how a customer uses our information and the level of precision they require,
  - if customers would value information presented in a different way or desire further information, and
- supportive feedback.

### Current concerns about information that is reported

Customers felt that our reports webpage was difficult to find, appeared disguised or even deliberately hidden under the 'About us' heading.

**(Website navigation – page 19)**

Upon receiving this feedback, we took immediate action. The same day, we created a banner on our homepage which directly navigated users to our reports webpage. We take our customer feedback very seriously and we want to make sure our reports are easy to find.

### Relative importance our customers place on the various information we publish

Our survey showed 60% of the Your Water participants and 81% of email survey participants agreed that it is important for Yorkshire Water to have a thorough assurance plan. 67% of the Your Water participants and 60% of email survey participants showed support for our assurance plan.

**(Final assurance plan – page 18)**

Customers told us that they didn't see the relevance of the group structure diagram and description and found it mainly irrelevant.

**(Group structure diagram and description – page 19)**

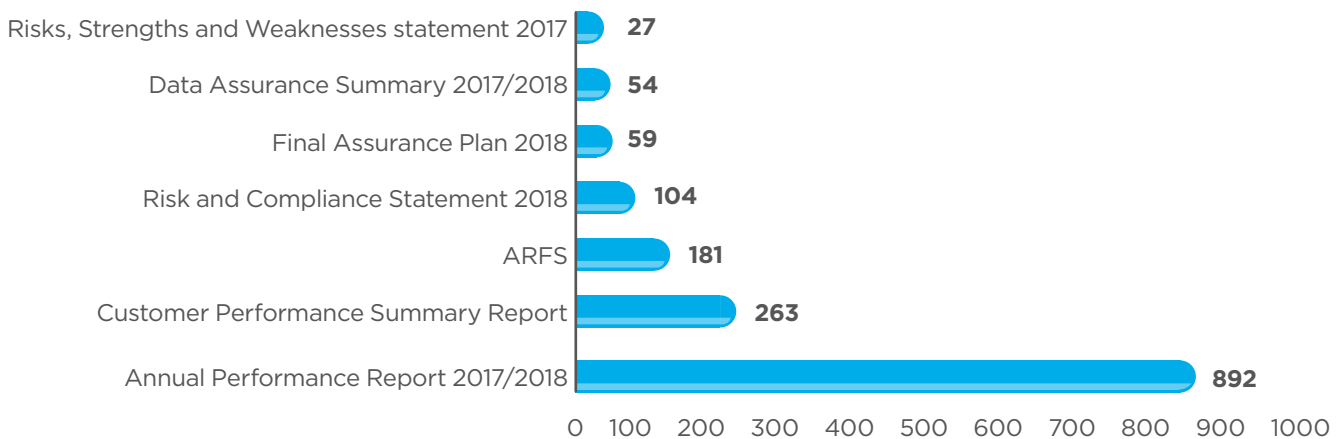
Most of our customers felt that our Annual Performance Report (APR) was relevant to them, however not all the of the information was found to be applicable to them.

**(APR – page 18)**

70% of the wholesale charges scheme survey participants have used our wholesale charges scheme 2018/2019. **(Wholesale charges scheme – page 19)**

To further understand the relative importance our customers and stakeholders place on the information we publish, we have analysed the number of times our publications have been viewed and downloaded from our reports webpage since January 2018. The graph below shows that our APR 2017/2018 and Customer Performance Summary Report have been downloaded more than any of our other reports. The total number of views for the reports in the chart is 1,580. Our reports webpage has been visited 6,310 times from 1 January 2018 to 18 September 2018.

### Number of times our publications were viewed and downloaded



#### How a customer uses information and their needs for the precision that information is reported to

Customers told us that the description of the group structure isn't something that would benefit them reading. **(Group structure diagram and description - page 19)**

Customers didn't think any information was missing from our APR and thought it covered everything they wanted to know. **(APR - page 18).**

Customers told us they wanted to know more about our engagement with customers and stakeholders. For example, how we selected customers and stakeholders for the engagement and the sample size. **(Risks, Strengths and Weaknesses Statement 2018 - page 20)**

#### If customers would value information presented in a different way or desire further information

Customers told us that our assurance plan could be clearer and jargon free. **(Final assurance plan - page 18)**

Some of our customers asked us to provide further evidence to ensure that our assurance plan is being upheld. **(Final assurance plan - page 18)**

Some customers told us that the information in our assurance plan is extensive, but not very accessible. **(Final assurance plan - page 18)**

More diagrams and bullet points would help understanding and encourage engagement. **(Final assurance plan - page 18)**

Customers told us that our group structure diagram could be bigger, use more colours and that it needed a further re-design. **(Group structure diagram and description - page 19)**

Customers found the glossary a little lengthy and should be moved to the back of the document. **(APR - page 18)**

Customers found our APR very long and would like to see a concise summary. **(APR - page 18)**

Customers told us breaking down the information into accessible chunks would make it easier to comprehend. **(Performance summary report - page 19)**

Customers want us to ensure all changes are highlighted clearly prior to the start of the year. **(Wholesale charges scheme - page 19)**

Some customers called for more transparency around costs. **(Long Term Strategy - page 19)**

Some customers said our Long Term Strategy was longer than it needed to be. **(Long Term Strategy - page 19)**

Customers told us to produce a smaller, shorter summary as the document is very long. **(Risks, Strengths and Weaknesses Statement 2018 - page 20)**

## Supportive feedback

Customers found our assurance plan to be a credible and thorough approach to assurance. **(Final Assurance plan – page 18)**

Using bold copy in a different, bright colour helped guide the eye to key information. **(Final Assurance plan – page 18)**

Majority of our customers are very positive about us, appreciating the investments made by us, great customer service, and reliable supply. **(Final Assurance Plan – page 18)**

Customers told us the group structure diagram and description increased their awareness of the group structure. **(Group structure diagram and description – page 19)**

Customers liked the sections with graphics and images, which they found easy to read and comprehend. **(APR – page 18)**

The overall style is accessible and customer friendly. **(Performance summary report – page 19)**

Graphics are relevant and engaging, e.g. people from different backgrounds represents the diversity. **(Performance summary report – page 19)**

Showing diagrams alongside explanations helps to clarify the key points. **(Performance summary report – page 19)**

Customers said our reports page was more modern than they had expected, they liked the colour scheme and the set-up of the page. **(Website navigation – page 19)**

Customers told us that by including the CMOS tariff code within the scheme is particularly useful - and something other wholesalers do not normally provide. **(Wholesale charges scheme – page 19)**

Customers rated the document highly due to its comprehensiveness and level of detail and found the environmental and diversity sections to be of most interest. **(Long Term Strategy – page 19)**

The statement looks well presented, clear, is interesting to read and written in plain English. **(Risks, Strengths and Weaknesses Statement 2018 - page 20)**

Customers told us that our Risks, Strengths and Weaknesses Statement is transparent, comprehensive and thorough which instills trust in customers. **(Risks, Strengths and Weaknesses Statement 2018 - page 20)**

## How we have engaged with our stakeholders

We have sought to gain a diverse and balanced view from a wide range of stakeholders, including businesses, financial representatives, Plain English Campaign, customer advocates and other regulators within our sector. We meet regularly and often with our regulators Ofwat, The Environment Agency, CCWater and the Drinking Water Inspectorate.

The stakeholders we have communicated with for this statement are external and internal to us and are defined as part of the ISO9001 Quality Management System we use to deliver our Annual Performance Report (APR). They are referred to in the next section of this statement.

We created questionnaires to gather feedback specifically for our risks, strengths and weaknesses exercise to support the information we gather throughout the year. We tailored the questionnaire and engagement method to each stakeholder to explore different issues with different stakeholders.

This continues to be a challenging area for us to gain sufficient feedback. Our experience is that these groups are busy meeting their own objectives and we need to find a simpler way of engaging with these groups to make it easier for them to feedback to us. We have summarised our findings from our stakeholders on page 26.

### Yorkshire Forum for Water Customers

The Yorkshire Forum for Water Customers (the Forum) is an independent group of customer and stakeholder representatives brought together by Yorkshire Water under the guidance of an Independent Chair, to support us in managing our business in the best interests of our customers. The Forum includes representation from, CCWater, National Farmers Union, Natural England, The Rivers Trust, Citizens Advice Rotherham, Pennine Prospects Ltd and the Environment Agency. It also includes an independent member who previously represented Yorkshire local authorities (2012 to 2015). The Forum meets every month.

You can view and download the minutes from previous Yorkshire Forum for Water Customers meetings and its statement on our performance here: [www.yorkshirewater.com/customerforum](http://www.yorkshirewater.com/customerforum)



The Forum are responsible for:

- Challenging the quality of the process for involving customers.
- Commenting on the quality and depth of customer research.
- Challenging how well the proposed outcomes and outcome delivery incentives reflect customers' views and priorities.
- Monitoring progress against the performance commitments set out in the previous business plan.
- Providing an independent report to Ofwat at the same time as we submit our business plan to Ofwat.

The Forum provides important feedback to us to improve our reporting in 2017/2018. The Forum set us some specific challenges where they asked us to:

- Meet the standards of the Plain English Crystal Mark
- Improve the clarity of reporting on our company and corporate governance structures
- include the annual statement from the Customer Forum in a prominent position
- make better use of infographics for the detailed information we report, and
- use colours carefully in our reports, to aid readers.

The feedback from the Forum said there was 'no doubt that the company has taken the challenges very seriously and improved its presentation and relevant content.' They thanked us for making the documents much easier to read.

This year the Forum was presented with our approach to understanding our risks, strengths and weaknesses for 2018/2019 and the process we have set up to identify our targeted areas for assurance. The Forum told us our statement this year 'looks great and is easy to read' and it is 'Much simpler to follow than a few years ago'.

## Plain English Campaign

We have been working with the Plain English Campaign to identify the steps we need to take to make sure that our reports are accessible and easy to read for customers and stakeholders. The Plain English Campaign has helped us to write our reports in plain English, to achieve our goal of gaining the Crystal Mark accreditation, which is the Plain English Campaigns seal of approval for the clarity of a document.

We have received a Crystal Mark for three of our publications:

- Final assurance plan
- Data assurance summary
- Performance summary

## What our stakeholders told us

We have summarised the feedback from our stakeholders in the table below and provided a response to their feedback.

| Observation  | Our Response   |
|--|--|
| <p>The Yorkshire Forum for Water Customers confirmed that we have adopted a sensible approach and asked us to: (The Yorkshire Forum for Water Customers on the Risks, Strengths and Weaknesses Statement 2018).</p> <ul style="list-style-type: none"> <li>• Make more of our pioneering work including the scale of listening to customers, helping with bills and simple messages on the six capitals, and</li> <li>• Consider applying a historic weight to give our risk assessment reliability.</li> </ul>                | <p>These are both areas of feedback we will address in our interaction with the Forum and in our reporting over the next twelve months.</p>  |
| <p>Justify numbers to the right and use commas in large numbers in tables in Section 7 Regulatory Information of the APR. (Business Customers on APR 2017/2018)</p>  | <p>This feedback will be compared to our presentation of the information in Section 7 of our APR and applied where possible in our 2018/2019 reporting.</p>  |
| <p>Provide more information in Annual Performance Reports which indicates future intentions (either to address a shortfall in performance or to identify potential changes in performance). (Jacobs on APR 2017/2018)</p>  | <p>The APR reports on our current year performance and by including our intentions to maintain or improve our performance it will improve the completeness of our reporting. This content will be included in our reporting where appropriate.</p>   |
| <p>Performance Commitments with a financial implication should be considered as high-risk areas, with perhaps less emphasis on those where the marginal reward/penalty is relatively small. The rationale for this is that any inaccuracy could have a greater consequence. (Jacobs on Risks, Strengths and Weaknesses Statement 2018)</p>   | <p>Our three levels of assurance process is a risk based methodology and we apply more assurance to our performance commitments which have a higher risk of reward or penalty. This approach has been used to identify performance commitments which require 'targeted assurance' in our assurance plan.</p> |
| <p>The Risks, Strengths and Weaknesses Statement could be enhanced if it were laid out to address each of the 2018/2019 submissions in turn, indicating the perceived risks, strengths and weaknesses, and the approach Yorkshire Water proposes to manage them. (Jacobs on Risks, Strengths and Weaknesses Statement 2018)</p>  | <p>This is valuable feedback and we are always looking for ways to improve our reporting. Where we can, we will report risks, strengths and weaknesses against our specific submissions for 2018/2019.</p>   |
| <p>Price Control cost allocation is an area which Jacobs consider needs more attention and requires greater consistency between financial and engineering assumptions. (Jacobs on Risks, Strengths and Weaknesses Statement 2018)</p>  | <p>We will continue to include this as one of our targeted areas of assurance.</p>   |
| <p>The Plain English Campaign have provided us with the following feedback on our Final Assurance Plan, Data Assurance Summary and Performance Summary Report:</p> <ul style="list-style-type: none"> <li>• Do not use slanted text</li> <li>• Text needs to be distinct from the background, for example using light text on a light background</li> <li>• Move the glossary to the front of the report</li> <li>• Reducing the use of jargon</li> <li>• Use 'you' and 'we'</li> <li>• Use lists where appropriate</li> </ul> | <p>We have made improvements to our reporting this year and this is supported by the Plain English Campaign Crystal Mark accreditations we have received for some of our publications.</p> <p>We will continue to write our publications in plain English and seek to gain Crystal Mark accreditations.</p>  |

## Regulator engagement and feedback

We have separated the learning we have received from Ofwat from the feedback we received from our other stakeholders.

### Ofwat Company Monitoring Framework

The table below provides a summary of Ofwat's November 2017 CMF assessment highlighting the areas where we have needed to improve.

| Area   | Ofwat's Assessment   | Summary of Findings  |
|--|----------------------|--|
| 1. Financial Monitoring Framework  | Minor concerns       | <p>A small number of errors were identified, which while not material, indicated that we had not followed the reporting guidance. None of these errors had a significant impact on the readers' view of our company performance.</p> <p>We have complex financing arrangements and we have undertaken significant work to improve the clarity of our reporting. Ofwat are clear however there is more all companies can do to improve this reporting for customers.</p>  |
| 2. Charges Engagement  | Meets expectations   | <p>Ofwat noted that the we had consulted the Consumer Council for Water (CCWater) in a timely and effective manner. However, we could make a further improvement by setting out what the discussions were about and how they had impacted our company's charges.</p> <p>We said that we did not expect any of our bills to increase by more than 5%. We could have provided a table showing the level of bill increases for a representative set of household and non-household customers.</p>   |
| 3. Outcomes  | Meets expectations   | <p>Overall, Ofwat found that we provided accurate, reliable information on our performance. There is clear evidence that we have been transparent with customers and stakeholders on the data assurance we have put in place.</p> <p>We do not have any Abstraction Incentive Mechanism (AIM) sites, however we will need to make sure we engage with Ofwat as soon as there are any changes.</p> <p>Our information is transparent and accessible, however for a short period after publication, our 2016/2017 APR was not available on our website. This was soon rectified but we need to make sure this doesn't happen again.</p> <p>Our external assurance noted two areas of minor concern around our reported data or the supporting documentation, including our measure of 'waste diverted from landfill'. We need to demonstrate that we are transparently reporting our most accurate view for this measure.</p> <p>We have provided wider assurance to demonstrate we are listening to our customers and delivering the services they want and can afford.</p> |
| 4. Compliance with principles of board leadership, transparency and governance | Exceeds expectations | <p>We provided clear information to demonstrate how we meet our board leadership, transparency and governance principles.</p>  |

|                                    |                      |  |
|------------------------------------|----------------------|--|
| 5. Risk and compliance statement   | Meets expectations   | We provided clear information to demonstrate how we meet our board leadership, transparency and governance principles                          |
| 6. Assurance plan                  | Exceeds expectations | At all levels our plan was found to be comprehensive.  |
| 7. Data assurance summary          | Exceeds expectations | Ofwat stated that our data assurance summary was written as a self-standing document that is easy to read and is prominent on our website.     |
| 8. Casework                        | Not applicable       | Ofwat did not request any further information from us for casework this year. As such, no assessment was made.                                 |
| 9. Wider assurance and information | No issues            | Ofwat found no issues that they considered relevant to its assessment of our company in relation to wider assurance and information this year. |

## Ofwat queries

In July 2018 we published our APR and in September 2018 we published our Price Review 2019 (PR19 plan). Ofwat reviewed our publications and there were some instances where they needed to raise queries about the information in our publications.

At the time of publication, we had received 17 queries from Ofwat on our APR, two queries on our charging scheme publications, 40 queries on our PR19 plan, and another two PR19 queries from CCWater. During the query process, we found that in some cases we had to make corrections to our publications or provide more information.

Our objective is to have zero errors in our publications, so every correction we have had to make, even though it's a fraction of the potential errors that could have been made, is one too many. We know that this is an area where we can improve which is why we will learn from these corrections.

We carried out root cause analysis on the areas where we had to make corrections and we found themes emerging around data and the way we report information. The table below summarises what we have learnt from this process and the steps we will take to make sure this doesn't happen again.

| Theme               | Learning   | Our response   |
|---------------------|--|--|
| <b>Data Queries</b> | There are still opportunities for us to prevent the small number of errors in the data we publish.   | We will share these cases with our reporting and assurance communities to make sure they are aware of the data checks they need to carry out to prevent errors from happening. |
|                     | Some of our data did not match to previous publications. There were a small number of instances where information in our APR and PR19 documents did not agree.   | We will improve our assurance processes to include detailed cross checks of references to information across our publications.   |
|                     | Our reported data is complicated and might not be explained well enough which raises questions that we have not provided answers to in the original publication. | Where our data is complicated we will improve our descriptions and commentaries to improve the understanding of the data in our reports.                                       |
|                     | On occasions our reported data can be out of line with the historical trend.   | Where data is materially different from previous years we will improve our explanation of the trend it is showing.   |

| Theme             | Learning  | Our response   |
|-------------------|---|--|
| Reporting Queries | Each year we seek to improve our reporting, which can lead to a change in the data we report compared to previous years.      | We will explain clearly where we have made improvements to reporting and any material impacts this has on our reported data.   |
|                   | We need to be confident that every piece of information is in the correct format.   | We will strengthen our internal processes to ensure that the data is reported in the correct format and is in line with the guidance.  |
|                   | Sometimes our reported information does not include enough information to understand the trends and narrative in our reports. | We will include supplementary information in our reporting where this improves the understanding of our reports.   |
|                   | Our stakeholders were not made aware of an improved version of one of our publications.                                       | We will update our guidance for publication managers to make sure they proactively engage with customers prior to new versions being published. We will also include a change log in the publication to make our stakeholders aware of the changes we have made. |

## In this section we provide the findings from our internal review of risks, strengths and weaknesses.

We have reviewed our assurance processes, performance commitments and changes in the external environment against a set of principles. This review allows us to create a more robust and comprehensive assurance plan for our reporting and publications.

### Our internal review approach

We reviewed the following areas as part of our internal assessment to identify our risks, strengths and weaknesses in our reporting:

- areas where our internal and external assurance processes have identified areas for improvement
- performance areas where we did not deliver to plan last year, where there may be a pressure to perform,
- areas where we were close to not meeting our commitment and we need to be sure of the reported performance,
- areas where we performed better than planned and we want to make sure this continues to be a true reflection,
- areas where financial rewards and penalties are at stake, providing strong incentives to perform,
- areas where we have to gather many pieces of data to compile the information we publish,
- areas where we rely on other people to provide some information
- areas where we are going through change be it internally or externally driven, and
- changes in reporting requirements.

# Assurance findings

## Annual Performance Report (APR)

Jacobs made one observation where they considered the information may be materially mis-stated in our APR. The details are given in the table below along with our management response.

| Criteria                       | Table 4P – Non-financial data for Water Resources, Water Treatment, Water Distribution   |
|--------------------------------|--|
| <b>Jacobs observation</b>      | <p>General concerns were raised over the quality of some of the source data supporting information reported in this table, which requires assumptions to be made about asset capacities and allocations to price controls.</p> <p>Jacobs has found our assumptions to be appropriate, however, in some cases they are based on limited source data, so the degree of extrapolation may create material errors in the reported figures. These issues are particularly compounded in the calculation of a measure known as ‘average pumping head’.</p> <p>The reporting guidance has changed for 2017/2018 requiring a more granular allocation of assets and their performance between price controls.</p>  |
| <b>Our management response</b> | <p>Our regulatory financial team has reviewed the allocation of assets to price controls and has not identified any material concerns. With the allocation of power costs according to the most recent Ofwat guidance, accounting for pumping head etc, has only a £250k impact, i.e. less than 0.1% of operational expenditure. As a result, any material error in the average pumping head figure would therefore generate a similarly small error in any relationship between activity and cost.</p> <p>The procedure and analysis has been subject to senior manager review and sign-off. It has been signed-off as fit for purpose as it has been considered acceptable in previous years and given the subsequent review by our regulatory finance teams we consider it to remain within the confidence limits quoted.</p> <p>The methodology for these lines remains consistent with previous years. A similar level of concern has not previously been made, however we acknowledge the limitations in the approach and reflect this by the correct use of confidence grading, i.e. B3 and B4.</p> <p>We acknowledge there is an opportunity to improve the confidence in the reported numbers.</p> <p>We have completed a thorough review of our average pumping head data and we have looked at where accountabilities for our reported data lie. This means we are applying the correct level of technical input to improve our reporting. The accuracy of our reported data is essential, and we have selected our pumping head information to be one of our targeted areas for assurance.</p> |

## Risk and Compliance Statement

In preparing our Risk and Compliance statement, our independent technical adviser Jacobs has reviewed our approach and processes we follow to assess our compliance with our obligations, in particular our Control and Risk Self-Assessment (CRSA) process and documentation.

Jacobs considered that:

- we have a full understanding of the company's relevant obligations; and
- we have appropriate systems and processes in place to run our business and identify and manage risks in a way that meets the relevant obligations.

Jacobs observed four opportunities for improvement.

| Jacobs observations   | Our management response   |
|---|---|
| <p>Where there had been a handover in responsibility between legislation champions, the transition between the current and previous Legislation Champion had not gone smoothly.</p>   | <p>We will carry out lessons learnt workshops with the legislation champions to understand where the process isn't working and to identify areas where the handover process can be improved.</p>  |
| <p>Jacobs found that in some areas the Legislation Champions probably have the most detailed knowledge of the obligations in their respective part of the business. It was not always clear whether the Legal Team would be able to effectively review and challenge their interpretation of the relevant obligations in all areas. For example, we found that the new Water Framework Directive (WFD) Legislation Champion had identified that the existing list of environmental obligations was not complete, some obligations had been superseded and the list of obligations required updating. The gaps did not relate to recent legislation, and the list, although signed off in the CRSA process, had not been complete in the prior year.</p> | <p>Jacobs recommend that in certain specialist areas it may be necessary to obtain challenge from others within the same team. We will update our guidance for legislations champions to include a peer review process for obtaining challenge from the team.</p>   |
| <p>For some obligations in the CRSA process there were no visible controls in place, and whilst it is the responsibility of senior managers to ensure that controls are put in place, Jacobs recommend additional checks and controls are used to monitor progress.</p>   | <p>Jacobs recommend additional checks and controls to monitor progress.</p> <p>We will update our guidance for senior managers to make sure they understand their responsibility for putting controls in place and implement a checking process to monitor progress. We will conduct a thorough analysis of our obligations to identify any which don't have robust controls in place and apply our new process to these obligations.</p> |
| <p>There are some obligations, for example, Competition Act, where whilst the Legislation Champion and CRSA sign off is by a single business area, we discussed that the compliance risk is wider and other areas need to be aware of the obligation and the associated compliance risks. We understand that the legal champion will identify and make the appropriate parts of the business aware of compliance risks as appropriate but note that documenting details of the awareness risk is not currently part of the CRSA.</p>  | <p>We will implement a process of documenting details of the awareness risk associated with our obligations which have a compliance risk wider than a single team.</p>  |

You can find our Risk and Compliance statement and the assurance letter provided by Jacobs on our reports page.

[www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

## Risks to reporting

We have analysed the areas of reporting which will change for next year. Some of these areas are new requirements which pose a risk, and some are existing requirements which we need to continue to review.

- Ethnicity pay gap reporting – we must publish workforce data broken down by race and pay band.
- CEO to average salary ratio reporting – which is reporting we adopted early in our ARFS 2017/2018.
- Corporate governance reform – we need to disclose and demonstrate how we are strengthening the employee, customer and supplier voice.
- Corporate governance reform – we need to disclose and demonstrate how the directors consider wider stakeholders.
- Disclosure around effects of new accounting standards which are not yet effective (IFRS 16 – leases) – which affects our reporting for Eurobond, Kelda Holdings and Kelda Finance 1 (KF1) companies, (other Kelda Group associated companies).
- Restatement of results and enhanced disclosure under IFRS 9 and 15 – which affects our reporting for Eurobond, Kelda Holdings and KF1 companies.
- Principal use policy – we have consulted and reviewed different interpretations of the policy regarding principal use. We have found that results can vary significantly depending on the information used to determine principal use. At this time, we have remained consistent with Ofwat’s Final Determination. We have made this clear and discussed it with our independent external auditor Jacobs. We will keep this under review and seek to clarify any further improvement that may be needed through the regulatory accounting working group led by Ofwat.
- We are replacing our SAP system which is due to go live in 2019. SAP is enterprise software to manage business operations and customer relations. Our upgrade project is called our SAP programme. We are closely monitoring this project to understand the impact it will have on our reporting.
- An unfavourable Price Review 2019 (PR19) outcome could lead to additional reporting. A ‘slow track’ PR19 outcome would mean that we would have to update our business plan resulting in additional reporting.

## Safeguarding officer review

We have appointed a safeguarding officer which has given us wider skills in understanding the needs of our customers. Our safeguarding officer has reviewed our reports and reports webpage.

### Strengths

- Reports are easily accessible via our homepage both in terms of positioning on the website and the accessibility tool Recite Me.
- The document style and graphical images are good for those who may struggle to read a lot of information or may not understand significant detail.
- The performance highlights page in the APR is a great example of providing information in a straightforward way.
- The Plain English Campaign Crystal mark for clarity shows how our efforts to make our publications more accessible are working.

### Weaknesses

- The documents tend to be very long and detailed.
- The suggestion that people can provide comments via the website is not entirely accurate. The wording needs to be clear about what the customer is expected to do if they wish to contribute.

### Recommendations

- Develop a ‘performance on a page’ publication. A one-page pictorial summary of performance would be accessible for most customers.
- Improve the performance webpage by making information available on the webpage rather than downloading a PDF containing the information.
- Make sure our customer engagement in this process is representative of our overall customer base particularly with customers in vulnerable circumstances.



## Corporate risk assessment

We operate within a risk-based framework and all our key risks are recorded in our corporate risk register. Our risk register is comprehensive and includes the controls and mitigations we have in place for each risk. The risk register is reviewed at appropriate intervals and our principal risks are published annually in the Annual Report and Financial Statements.

Specific risk assessments consider the risks concerning the information we provide to our stakeholders whether as part of annual reporting or at other times. These risk assessments make sure that appropriate levels of assurance are obtained in respect of this information.

The Audit Committee oversees these assessments, the assurance performed and the publications we make to meet our regulatory and statutory obligations.

Read more about our principal risks at March 2018 in our Annual Report and Financial Statements which can be found on our reports page here: [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

## Performance Commitments

In 2017/2018 we met or exceeded 22 of our 26 performance commitments. The results from the review of our performance commitments are set out under the following headings. This review has been used to help identify our areas of targeted assurance.

### Performance commitments where the target was missed in the previous year

The performance commitments which missed their targets in our previous years reporting in our APR for 2017/2018 are set out below.

- Drinking water quality.** We set ourselves the highest possible target of achieving 100% compliance for drinking water quality, we unfortunately didn't meet this target and achieved 99.95% compliance. This is also an area where we are at risk of incurring penalty and where we will need to apply additional assurance.
  - Drinking water contacts.** In 2017/2018 we further reduced the number of times customers needed to contact us regarding drinking water quality, down from 9,093 in 2016/2017, to 8,100 in 2017/2018. We improved our performance on this performance commitment, but it wasn't enough to meet our challenging target of 6,108.
  - Leakage.** We have almost halved leakage since 1995 and this year we narrowly missed our performance commitment to make sure leakage is no higher than an average of 297.1 mega litres a day (Ml/d). In 2017, we announced we would reduce leakage by over 40% by 2025 and become one of the leaders in the water industry. This will be a very challenging task and it is important that the information we report accurately reflects our performance. This year we reported annual average leakage as 300.28 Ml/d which is within 1% of our target.
  - Energy generation.** In 2017/2018, we supplied 11.4% of our needs through self-generated energy. This being a two year high compared with 2015/2016 & 2016/2017, where self-generation was 11.3% & 10.4% respectively. However, this falls short in achieving our Performance Commitment of generating 12% of our energy needs from renewables. We expect to meet our 12% target next year and we will monitor the information we report on our performance closely.
- These performance commitments will have additional scrutiny in the coming year.

### Performance commitments where additional challenge was provided by our external auditors in the previous year

Our technical assurance providers Jacobs noted that within our APR for 2017/2018 'the tables, commentaries and statements provide a fair and balanced overview of the Company's 2017/18 circumstances and performance'.

They did not challenge on specific performance commitments for 2017/2018 but, they did provide us with a challenge in previous years which we have reported below.

- Waste diverted from landfill.** Jacobs reported that the methodology we used in our reporting had an anomaly in the measurement of clean water sludges. In the 2017/2018 APR they said they understood our rationale, and our reporting is consistent with previous years and our documented methodology. Since there has been no change to our reporting on this performance commitment we do not intend to apply any targeted assurance in 2018/2019.

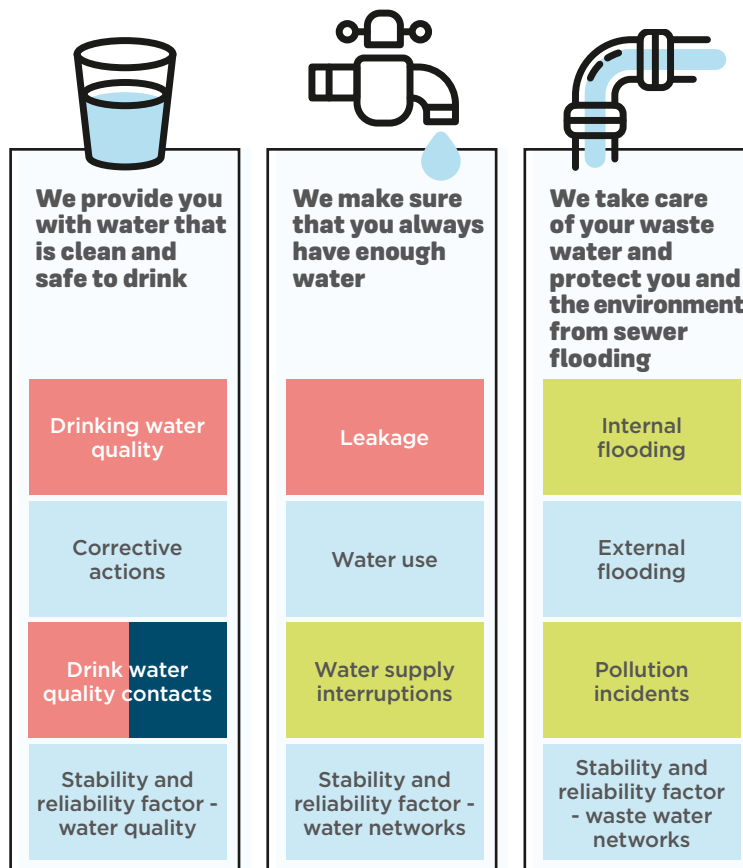
## Performance commitments where we are forecasting a financial incentive reward

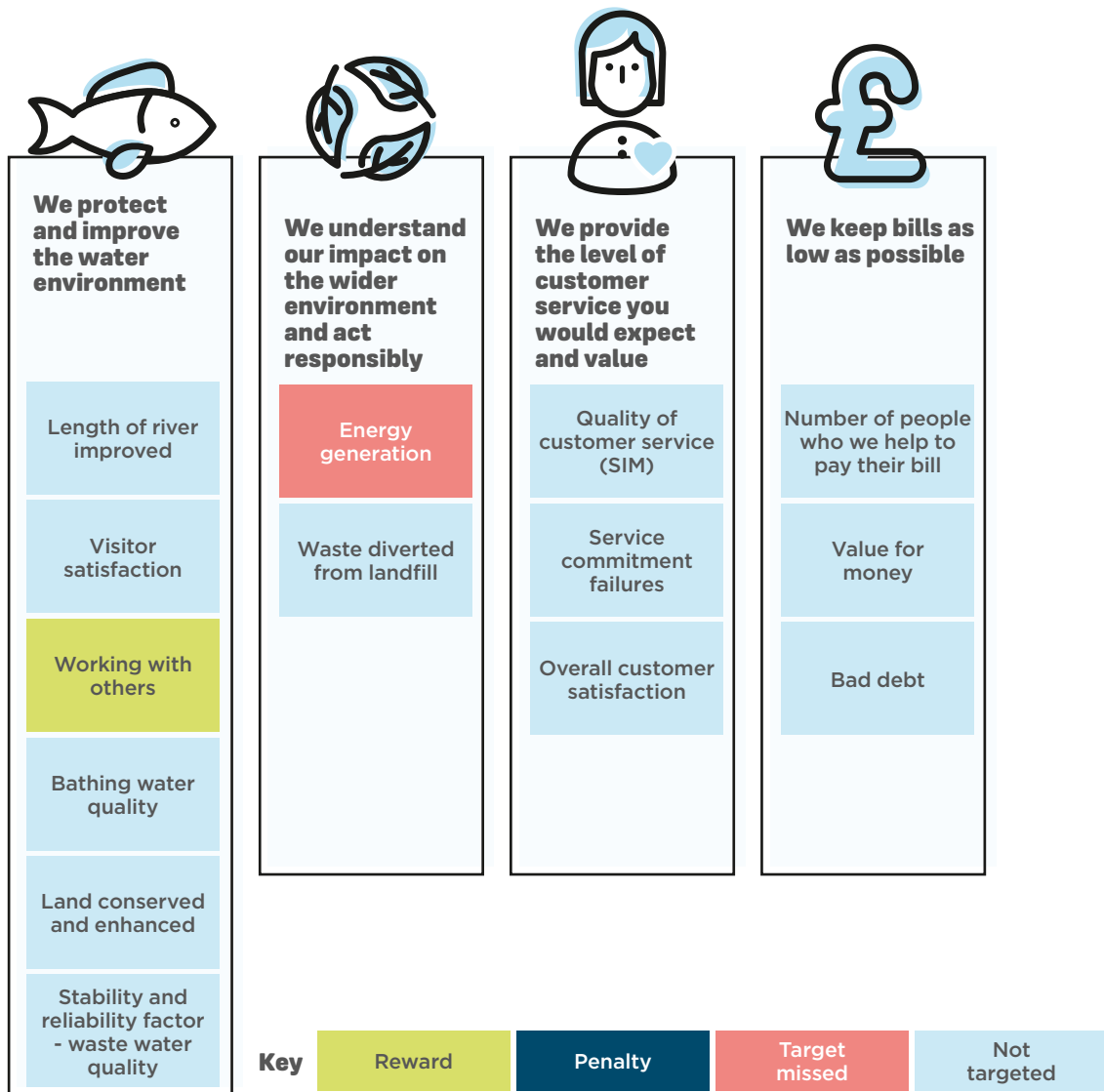
Our performance so far this year has identified three areas where we are likely to earn a financial incentive reward.

- Pollution incidents.** We are forecasting that the number of pollution incidents (Category 3) is better than our target. Our reporting of pollution incidents must be an accurate reflection of our performance. Our aim is to make sure the way we report on our performance remains one of the most accurate in the industry and any reward we earn is correct.
- Water supply interruptions.** We are continuing to drive improvements to reduce the amount of time customers go without water when we interrupt their supply. We are forecasting another year of bettering the target agreed with customers. This measure has a financial incentive and we are forecasting to earn a reward.
- Internal flooding.** Internal sewer flooding of homes is one of the worst things customers can experience from our activities and we continue to work hard to prevent this happening. In 2018/2019 we are forecasting to exceed our commitment for internal sewer flooding which will earn a reward.
- Working with others.** We have a long history of working in partnership to achieve our aims, and we want to do more of this particularly in terms of how we manage flood risk. We have a target and a small reward incentive to work more closely with others and deliver more projects in partnership. Our reward is set at 5% of the average cost of the partnerships delivered and we are forecasting to exceed this in 2018/2019 which we will need to make sure is correct.

As part of our internal reporting activities, we will track how we are doing against all our performance commitments, but we will provide more attention to the ones mentioned above. We will make sure the value of the reward is accurate and fair, and is supported by the Yorkshire Forum for Water Customers. If we do not report accurately, we risk losing the trust of our customers and stakeholders.

We have colour coded the diagram below to show which performance commitments missed the target in the previous year and which are forecasting a financial incentive penalty/reward.





### Changes in the external environment

In recent years Ofwat has introduced new ways to better understand our costs of delivering your services. This requires us to break down our costs into defined areas called price controls. There are currently four price controls, increasing to six from 2020. This is an area where we will continue to focus assurance activities to ensure we are allocating our costs correctly.

The UK is implementing the EU directive on the security of Networks and Information Systems (known as the NIS Directive). The NIS Directive aims to raise levels of the overall security and resilience of network and information systems across the EU. The NIS Directive applies to companies and organisations identified as operators of essential services (OES), this includes the water sector. The NIS regulations require us to take appropriate measures to secure our network and information systems, consider potential risks facing the systems and take

appropriate measures to prevent and minimise the impact of security incidents to ensure service continuity. We do not yet know how this will impact on our reporting, we will continue to review and monitor this area to make sure we are aware of any effects to our reporting.

There have been recent changes in legislation relating to data protection. We recognise there will be an important balance for us to strike in meeting the requirements of the General Data Protection Regulations (GDPR), whilst ensuring the transparency and usefulness of our reports and publications.

The Water Act 2014 introduced new obligations in relation to the services we offer to developers. We will continue to build on the initial processes introduced to meet the formal reporting requirements. These requirements will continue to be an area of focus for our assurance plans.

**7.**

# **Our risks, strengths and weaknesses**

**Taking all of the feedback we have received and considering our own internal assessment we have identified the following strengths, weaknesses and risks in relation to how easy it is to find, read and trust our information.**

We have linked our risks, strengths and weaknesses to the information we gathered described earlier in this statement and to our targeted areas of assurance described further in this statement.

We want to demonstrate the link that exists throughout this statement, from the information we gathered through to the areas we target. (The targeted areas given in the table on the following pages relate to the next section of this document).

# Strengths

| Strength   | Description   | Link to information gathered                         | Link to targeted areas of assurance   |
|--|---|--|---|
| High levels of confidence in our reporting.                                    | Customers showed support for our assurance plan and told us it provides them with confidence in the information we publish.   | Feedback from customer focus groups.                 | This links to targeted area 4. We will continue to provide high quality reporting to maintain confidence.   |
| We have achieved the Crystal Mark accreditation for some of our publications.  | The Forum are pleased that we have made progress in this area.  | Forum meetings.                                      | This links to targeted area 4. We will continue to write in plain English and maintain Crystal Marks for our publications.  |
| Well laid out reports webpage.   | Customers told us our reports webpage is well laid out and the colour scheme works well.  | Customer feedback from our online community.         | This links to targeted area 4. We will continue to make improvements to our website, particularly on our performance and reports webpages.  |
| Our information on governance and how we are financed.                         | Our tax and company structure videos and charts were well received by our stakeholders and customers.   | Customer feedback from our online community.         | This links to targeted area 4. We will continue to report information on financing and company structure in a transparent manner.   |
| There is confidence in the assurance framework we have put in place.           | Customers told us that our assurance plan is credible and thorough.   | Feedback from customer focus groups.                 | This links to targeted area 7, accuracy of information. We will continue to build on our assurance plan and framework to make sure we meet regulatory guidelines.                                     |
| Exceeded expectations in 'Board leadership, transparency and governance'.      | We were the only water company to exceed expectations in this area of Ofwat's Company Monitoring Framework. We will continue to provide leading edge information on our governance. | Company Monitoring Framework assessment - Regulator. | This links to targeted area 4. We will continue to improve how we communicate our governance information to our customers through the use of videos, graphics and narrative written in plain English. |
| Performance commitments where we are forecasting a financial incentive reward. | We are forecasting a financial incentive reward for four performance commitments.   | Internal assessment.                                 | This links to targeted area 2.  |

## Weaknesses

| Weaknesses   | Description   | Link to information gathered  | Link to targeted areas of assurance  |
|--|---|---|--|
| Data errors in the Annual Performance Report (APR) and Price Review 2019 (PR19) data tables.                 | Through our own internal assessment and Ofwat's query process, we identified some errors in our reporting. Whilst there weren't many, we can improve in this area.                | Internal assessment and Ofwat assessment.   | This links to targeted area 7, accuracy of information.  |
| Poor interpretation of reporting guidance - resulting in minor concerns in 'Financial monitoring framework'. | We need to make sure we meet any new regulatory guidance and requirements as well as exiting requirements.  | Ofwat Company Monitoring Framework assessment.  | This links to targeted area 6, meeting regulatory guidance.  |
| Performance commitments where the target has been missed.  | We have missed the target for four of our performance commitments.  | Internal assessment of our performance.   | This links to targeted area 1 performance commitments where the target was missed in the previous year.                                    |
| Performance and reports webpage.   | Customers told us they that our reports webpage is well laid out, but we feel there is still more we can do to improve.   | Customer feedback from our online community and internal assessment.                        | This links to targeted area 4. We will continue to make improvements to our website, particularly on our performance and reports webpages. |
| How we report on our Six Capitals.   | The Forum has asked us to make more of our pioneering work we have done on our Six Capitals.  | Feedback from the Yorkshire Forum for Water Customers.                                      | This links to targeted area 4, customer understanding and awareness of information provided.   |
| Linking our principal risks to our risks, strengths and weaknesses statement.                                | The Forum has asked us to consider applying a historic weight to our risk assessment.   | Feedback from the Yorkshire Forum for Water Customers.                                      | This links to targeted area 4, customer understanding and awareness of information provided.   |
| Publications are too long.   | Some of our customers continue to tell us that our reports are too long.  | Customer feedback from our online community and customer focus groups.                      | This links to targeted area 4, customer understanding and awareness of information provided.   |
| Awareness of our publications.   | We have used web analytics to see the number of views our reports receive. The number of views remains low which means there is more we can do in this area to improve awareness. | Customer feedback from our online community, customer focus groups and internal assessment. | This links to targeted area 4, customer understanding and awareness of information provided.   |

## Risks

| Risk  | Description  | Link to information gathered  | Link to targeted areas of assurance  |
|---|--|---|--|
| Errors in our reporting could erode trust and confidence.                                     | Through our own internal assessment and Ofwat's query process we identified some errors in our reporting.  | Internal assessment and Ofwat assessment.   | This links to targeted area 7, accuracy of information.  |
| Not meeting regulatory requirements could impact our Company Monitoring Framework assessment. | We need to make sure we understand and meet new requirements or requirements which have changed. For example, changes to the Regulatory Accounting Guidelines. An area we will focus on is pumping head, where Jacobs said we can improve the accuracy of our reporting. | Ofwat Company Monitoring Framework assessment and Jacobs.                                   | This links to targeted area 6, meeting regulatory guidance.                                      |
| Changes to the reporting system (SAP) could impact on reported data.                          | We are replacing our SAP system which is due to go live in 2019. We are closely monitoring this project to understand the impact it will have on our reporting.  | Internal assessment of our risks.   | This links to targeted area 5, impact of our internal SAP programme on our reported information. |
| Customer understanding of the information we publish could erode trust and confidence.        | Customers told us that our reports are too long and sometimes are not written in plain English. This could lead to a distorted message being communicated to our customers.  | Customer feedback from our online community, customer focus groups and internal assessment. | This links to targeted area 4, customer understanding and awareness of information provided.     |
| An unfavourable PR19 outcome could lead to additional reporting.                              | A 'Slow track' PR19 outcome would mean that we would have to update our business plan and potentially data tables.   | Internal assessment and Ofwat queries.  | This links to targeted area 6, meeting regulatory guidance.                                      |
| Price control cost allocation.  | Under the current Asset Management Period (AMP6, 2014 to 2019) we use four price controls and we need to make sure we are allocating our costs correctly. If we fail to do this our customers and stakeholders will lose confidence in our charges.                      | Technical auditor feedback - Jacobs.  | We have a targeted area dedicated to this risk called price control cost allocation.             |





**8.**

# **Our targeted areas of assurance**

**A review of the risks, strengths and weaknesses identified through this consultation has helped us to see the areas that will need more focus in 2018 and 2019. We call these our targeted areas.**

The table on the following pages identifies the targeted areas of assurance we will be focusing on in 2018/2019 and the reason why they are most important.

We have also provided an update on the targeted areas of assurance we included in our statement last year. We describe the assurance we carried out and actions we took on these areas in our Annual Performance Report in Section 4. Here is a link to our reports webpage:

**[www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)**

| Ref | Targeted areas   | Status                 | Why this area is most important  |
|-----|--|------------------------|--|
| 1   | Performance commitments where the target was missed in the previous year.                          | Updated from 2017/2018 | <p>This year we have missed the following performance commitments.</p> <ul style="list-style-type: none"> <li>• Drinking-water quality</li> <li>• Drinking-water quality contacts – this is the number of times customers contact us each year, in line with Drinking Water Inspectorate standards on the rate of contacts for appearance, taste, odour of water and illness. (This is also an area where we are at risk of having to pay a penalty.)</li> <li>• Leakage – this is the total of distribution losses and supply pipe losses. This includes any uncontrolled losses between our treatment works and customers’ stop taps. It doesn’t include internal plumbing losses.</li> <li>• Energy generation</li> </ul> <p>This links to our data assurance process.</p>  |
| 2   | Performance commitments where we are forecasting a financial incentive reward (at September 2018). | Updated from 2017/2018 | <p>We are forecasting a financial incentive reward for the following performance commitments.</p> <ul style="list-style-type: none"> <li>• Pollution incidents (category 3)</li> <li>• Water-supply interruptions</li> <li>• Internal sewer flooding</li> <li>• Working with others</li> </ul> <p>We will target these performance commitments to make sure we achieve a financial reward. This links to our data assurance process.</p>   |
| 3   | Price control cost allocation.   | Updated from 2017/2018 | <p>Price control cost allocation is an area which our technical assurer, Jacobs, considers needs more attention. We will continue to target this area to deal with the risk. This links to our data assurance process.</p>   |
| 4   | Customer understanding and awareness of the information we provide.                                | Added to 2018/2019     | <p>This targeted area links to many of our strengths and some of our weaknesses. We are targeting this area because we want to continue to build on our strengths and get rid of weaknesses in our reporting.</p> <p>We have started to develop a set of principles focused around the feedback we have received from our customers and stakeholders. They are shown below.</p> <ul style="list-style-type: none"> <li>• We will make sure our publications are easy to read and written in plain English.</li> <li>• We will make sure the information in our publications is accurate, reliable and trustworthy.</li> <li>• If publications are longer than 30 pages, we will include a much shorter version, if this is appropriate.</li> <li>• We will make sure our publications are easily accessible on our website.</li> </ul> <p>This links to our wider assurance process.</p> |

| Ref | Targeted areas  | Status             | Why this area is most important   |
|-----|---|--------------------|---|
| 5   | Effect of our internal SAP programme on our reported information. | Added to 2018/2019 | In 2018/2019 we are upgrading our SAP system. SAP is enterprise software to manage business operations and customer relations. Our upgrade project is called our SAP programme. We are targeting this area because the accuracy and completeness of the information from our IT systems is central to the overall accuracy of the information we report on. Our assurance will focus more on making sure the information we report on is accurate during the period where we change from our old SAP system to our new SAP system. This links to our data assurance process.  |
| 6   | Meeting regulatory guidance.                                      | Added to 2018/2019 | <p>We are targeting this area because we need to make sure we meet any new regulatory guidance and requirements. We also need to make sure we keep to existing guidance. Two examples are shown below.</p> <ul style="list-style-type: none"> <li>• Principal use – Where possible, our capital spending and associated loss in value of an asset should be directly attributed to one of the price control units. If this is not possible as the asset is used by more than one service, it should be reported in the service where it is mostly used with recharges made to the other services that use the asset to reflect the proportion of the asset used by those other services.</li> <li>• Our calculation of average pumping head – this is the vertical distance that we are able to pump our water when its stored in boreholes for example.</li> </ul> <p>This links to both our data and wider assurance processes.</p> |
| 7   | Accuracy of information.  | Added to 2018/2019 | <p>We are targeting this area because, through our own assessment and Ofwat's query process, we identified some mistakes in our reporting. While there weren't many mistakes, we can improve in this area and we will aim to improve our assurance process from the lessons we have learnt so we can prevent mistakes in our reporting in the future.</p> <p>This links to our data assurance process.</p>  |

| Removed areas   | Status                 | Why we have removed this area   |
|---|------------------------|---|
| Performance commitments where we are forecasting a financial incentive penalty (at September 2018).   | Removed from 2018/2019 | Although we are forecasting a financial incentive penalty for drinking water quality contacts, we are targeting this performance commitment through 'Performance commitments where the target was missed in the previous year' targeted area.             |
| Information published is what our customers want and need.  | Removed from 2018/2019 | We have grouped these targeted areas into a new targeted area called 'Customer understanding, and awareness of information provided'.   |
| Information is easy to find.  | Removed from 2018/2019 |   |
| Information is easy to read and understand.   | Removed from 2018/2019 |   |
| Information is always accurate and reliable.  | Removed from 2018/2019 | We have replaced this targeted area with our new targeted area called 'Accuracy of information'.  |
| Cost allocation in the Kelda Group.   | Removed from 2018/2019 | We disposed of many of our non-regulated business in the Kelda Group in 2017/2018 and we are satisfied that the process of cost allocation for any remaining sales will be accounted for and reported correctly, using on the processes we have in place. |
| Price Review 2019.  | Removed from 2018/2019 | We have removed this area because our PR19 business plan has been submitted to Ofwat and the assurance is complete.   |
| Performance commitments where additional challenge was provided by our external auditors in the previous year (waste diverted from landfill and stability and reliability factor: sewer network). | Removed from 2018/2019 | We didn't receive any challenge on our performance commitments from our auditors this year.   |

## Next steps

The draft assurance plan associated with our regulatory reporting and our targeted areas will be published alongside this Risks, Strengths and Weaknesses Statement. The draft assurance plan can be found on our website here: [www.yorkshirewater.com/reports](http://www.yorkshirewater.com/reports)

In our draft assurance plan, we will describe how we are going to build on our strengths, deal with our risks and correct our weaknesses. We will describe how we will do this, when we will do it by and how we will monitor it to make sure we are on track. We will describe the checks we will carry out for our targeted areas.

The draft assurance plan will be published for consultation. All feedback received before 31 December 2018 will be used to create our final assurance plan. All feedback received later will be used in our future review processes. The final assurance plan will be published in March 2019.

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