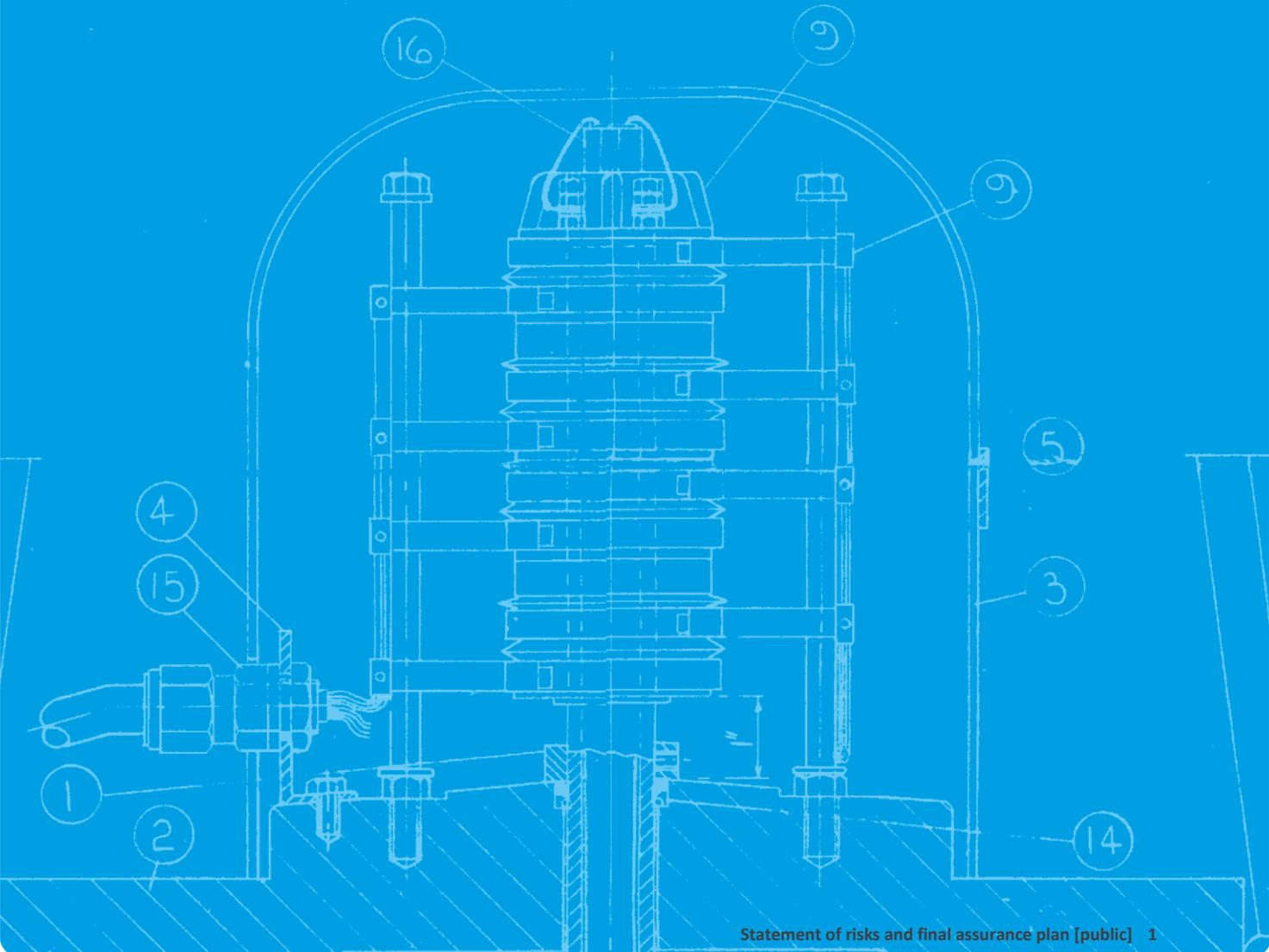


Assurance plans for 2016/17

March 2017



1. About this document

Severn Trent Water is one of the largest of the 17 regulated water companies in England and Wales. We strive to provide high-quality services to more than 4.3 million households and businesses in the Midlands and mid-Wales. Our customers pay the lowest average bills in the UK.

By 2020, we want to be the most trusted water company: delivering an outstanding customer experience, the best value service and environmental leadership.

Every year we publish a wide range of information about our services and our performance. This information is used in a variety of ways; not least it may shape the choices our customers and stakeholders make. We therefore want to make sure that it can be relied on.

Our assurance plan for 2016/17 is in two parts.

The first part is our statement of risks, strengths and weaknesses. It has been developed using feedback we have received from our customers and stakeholders about the information we provide. It also takes into account our own assessment of risks to our ability to provide information that they trust.

The second part of this document is our final assurance plan for 2016/17. It sets out how we plan to respond to those risks.

Later this year we will publish an annual performance report setting out our progress against our performance commitments.

In last year's plan we recognised the importance of assuring our 45 performance commitments as set out in our [business plan for 2015-20](#) as 33 have financial rewards and penalties attached to them as customer Outcome Delivery Incentives (ODIs)¹, which may impact our customers' bills. Along with two other companies, some of our customer ODIs apply during the 2015-20 period, reflecting our performance on a year by year basis.

In recognition of this, we set out detailed proposals for assurance in our business plan with the aim of ensuring that our customers and stakeholders can trust the data and information that we provide on our performance. This plan continues to build on the established levels of assurance we implemented in the last financial year.

It also considers how we can ensure our customers and stakeholders can have confidence in the information we publish more widely. We have also looked at the way we present this information to our customers, in particular how we explain the impact of our customer ODI performance on customers' bills.

You can find a list of our customer ODIs and our performance in 2015/16 in appendix 1.

¹ Our Corporate Monitoring Framework is centred on the issues that are most important to our customers and the most material issues underpinning our performance as a sustainable business. These have been identified through extensive stakeholder consultations undertaken throughout PR14 to develop our customer ODIs. Certain ODIs have a financial reward or penalty associated to it, which dependent on our performance in the year is then reflected in customers' bills. Each ODI has tough measures associated with it and are subject to a rigorous ongoing review to ensure they remain appropriately challenging

Ofwat's company monitoring framework

Ofwat's company monitoring framework (published in June 2015) set out its expectations for how it will oversee information that we, and the 16 other largest water companies, provide to our customers. Under this framework, Ofwat assess companies and place them in one of three categories of either self, targeted or prescribed assurance.

Initially, Ofwat assessed Severn Trent and 14 other companies as requiring 'targeted' assurance. This meant last year we needed to work with our customers and stakeholders to target issues, and consult on our draft assurance plans to make sure they are sufficient to address them.

In November 2016, we are pleased that Ofwat re-assessed companies and moved Severn Trent into the 'self-assured' category. Whilst we are no longer required to consult on our assurance plans, our aim is to remain self-assured by being proactive in addressing any areas of concern that our customers and stakeholders have about our data.

2. Our statement of risks, strengths and weaknesses: summary

In this section we summarise how we carried out our risk assessments, and the target areas we identified. Our assurance plan in section 2 sets out how we propose to respond to these risks.

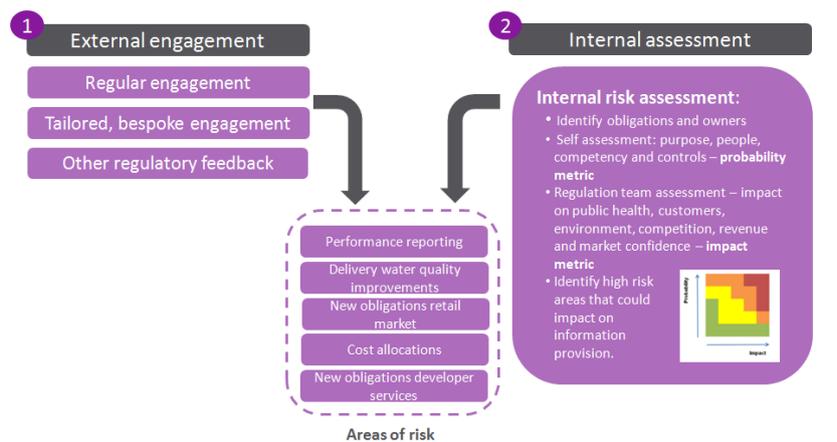
2.1 Approach

Figure 1 below illustrates how we have developed this statement using two inputs: external engagement and an internal assessment. The following section (3) explains this approach and the outcome in more detail.

We have not limited these assessments to just our end of year performance reporting, but rather considered the information we provide to customers and stakeholders, and our regulatory and statutory obligations, more broadly.

Any critical risks identified in our assurance plan feed into our company-wide assessment of risks inherent in our business activities and mitigation measures, which we include in our [Annual Report and Accounts](#).

Figure 1: Approach to developing this risk assessment



2.2 Statement of risks

The risks we identify in this statement principally reflect:

- reporting requirements and statutory obligations; and
- changes in our external environment or our customers’ and stakeholders’ expectations.

They are:

Performance reporting – performance commitments and customer ODIs.

We are now in our second year of the approach set out in our 2015-20 business plan. The introduction of customer ODIs in 2015 means that our performance has the potential to directly impact customers’ bills. Our customers tell us what matters most to them, our performance is measured in these areas and then a penalty or reward may be applied depending on performance. Every single one of our performance commitments, regardless of whether a financial incentive is attached, could impact our customers’ and stakeholders’

perceptions of us, and shape the choices they make. Given the importance that we, and they, attach to performance commitments, we continue to utilise our rigorous assurance approach as set out in last year's statement. Our assurance plan (section 4) provides for a risk-based approach to assuring our performance commitments; ensuring external assurance is targeted where the greatest risk exists. This is undertaken at both the half and full year (in addition to our ongoing internal quality checks, controls and improvement plans). Our half year review allows us to identify performance commitments where further assurance 'deep dives' may be required in the run up to full-year reporting. We have seen the benefits of this approach as the mid-year review enables us to spot any potential risks and challenge our performance data rigorously prior to publication, ultimately giving our customers and ourselves confidence in any subsequent reward or penalty we receive as a result.

Delivery of drinking water quality improvements

In our 2015 annual report and accounts we set out that drinking water quality would be a key area of focus for performance improvements over the coming year. As a part of this we have implemented the 'cleanest water' programme and engaged with the Drinking Water Inspectorate to ensure we meet our commitments. The 'cleanest water' plan is a three year coordinated package of water quality initiatives aimed at delivering on our ambition to be the most trusted water company in the eyes of our customers and regulators. It is governed by a weekly working group.

We are now two years into our journey and we have made significant improvements in the delivery of capital schemes, distribution service reservoir (DSR) inspections, and resolution times of complex water quality complaints from our customers, and we are working hard to improve front line operations. Whilst we have made improvements, we recognise that water quality is an area of key importance for our customers and we want to provide confidence to both customers and key stakeholders that we are making progress towards the goals set in the 'cleanest water' programme.

New obligations for the retail market

The Water Act 2014 introduces a new framework of retail competition for non-household customers. There are two areas in particular where we intend to provide assurance:

- Market readiness - As an incumbent in the market, we need to provide assurance that we will be ready for market opening on 1 April 2017. Post market opening, we are planning assurance that allows us to have confidence in any performance data published to our non-household customers.
- Financial and Operational Reporting - With the creation of Water Plus (a joint venture between ourselves and United Utilities) in June 2016, we have separated our non-household retail business completely in terms of geographical location, people, processes and systems. We have applied to the Secretary of State to exit from the non-household retail market. Until we exit, we still have a statutory obligation to report our annual performance, in relation to non-household retail services, and to ensure this is correctly reflected between us and Water Plus.

Cost allocations (and segmental reporting)

The introduction of separate price controls for water, waste, household retail and non-household retail will place further customer (retailer) scrutiny on how we allocate our costs between wholesale and retail activities, emphasising the importance of robust cost allocation and segmented reporting. This is an area that we will continue to focus assurance activities on, including external assurance conducted by an independent third party, to provide market participants with confidence in our charges.

Developer services

The Water Act 2014 introduced new obligations in relation to the services we offer to developers. We have also begun to voluntarily report our performance along with other water companies, so that customers can compare the standard of service they receive from us in context with the rest of England and Wales. Given these new requirements, and in the light of statutory changes, this will continue to be an area of focus for our future assurance plans.

3. Our approach in more detail

In this section we explain in more detail how we identified the target areas set out in section 2.1.

Our statement of risks, strengths and weaknesses has been developed using two assessments:

- *An external assessment.* We asked our customers and stakeholders how easy is our data to understand.
- *An internal assessment.* We carried out a self-assessment to identify risks to our ability to comply with our statutory and regulatory obligations. We considered if these risks would impact our ability to produce information that our stakeholders can trust.

We describe each in turn. The next section of this document sets out the assurance plans we will put in place to mitigate these risks.

3.1 Engaging our customers and stakeholders

We continue to recognise the need to engage with our customers to understand the issues that matter to them in relation to the information we produce and address any concerns that they may have.

As in prior years, we have continued to utilise our established channels of engagement:

- regular meetings with our regulators and statutory customer representative (CCWater);
- regular meetings and events with broader stakeholders (for example, partnership working on flooding issues);
- ongoing investor engagement, and annual announcements of interim and preliminary results; and
- ongoing customer research, including customer focus groups, instant feedback mechanisms and a quarterly tracker survey.

This engagement helps to inform, and plays a part in, our assurance approach. For example, we may work with the Environment Agency to ensure consistency in our categorisation of pollution incidents or CCWater may challenge our customer focussed documents.

As we developed our business plan for 2015-20, we established an independently chaired, multi-stakeholder group – the Water Forum – to challenge how our customers’ priorities were reflected in our company strategy. It includes representation from the Environment Agency, CCWater, Natural England, National Farmers Union (NFU), East Midlands Councils and the CBI.

The Water Forum now has a continuing role to challenge whether we are delivering our commitments to our customers, and how we communicate that performance. It was involved in the development of our assurance proposals in our business plan. Last year, a new chair and new members were recruited to the Water Forum to ensure we continue to hear a diverse range of views from a customers and their representatives. The Forum has met four times this year and will continue to have input into our 2020-25 plans going forward.

3.2 Specific engagement for this statement

Last year, we conducted a wide ranging survey with customers and our key stakeholders (such as the Environmental Agency, CCWater and the CBI) to establish the levels of trust they have in the information that we produce. This year we wanted to expand on this question further by understanding how our customers prefer our information to be presented to them. In particular we wanted to examine how well they understood the link between our customer ODI performance and the impact on bills to ensure our reward/penalty mechanism is transparent to our customers.

As we produce information that is used by a diverse range of stakeholders in a number of ways, we used a tailored approach to engagement that considered two broad groups.

3.2.1 Group 1: water expert stakeholders

Stakeholders with both a high level of interest and reliance on the information we produce.

We regularly meet with our regulators and have a common understanding of the information they need from us to effectively perform their statutory remits.

We have provided updates to, and invited comments from, our Water Forum and also contacted CCWater, the Environment Agency and Natural England to discuss if there were any specific issues they wished to be included in this statement. Following consultation on our draft plan, CCWater welcomed our ambition to be ‘the most trusted water company’, and noted that our self-assured status reflected that goal. However, they reminded us that we should continue to engage with customers and other stakeholder groups as we have previously done. Additionally, CCWater have also shared their own research with us which examines the levels of trust that customers have in ourselves and other water companies.²

Our other stakeholders did not identify any fundamental concerns with our current assurance processes and information provision.

We have also considered other feedback from our regulators.

We regularly engage with the Drinking Water Inspectorate (DWI) as part of the normal course of our business. The DWI has also given a detailed view of our performance in its ‘Drinking Water 2015’³ report. We have identified water quality as a continuing area of focus for improvement and have implemented a specific improvement programme ‘cleanest water’. We recognise the need to provide assurance to our stakeholders of progress being made.

Last year, Ofwat’s assessment⁴ of our ability to deliver and report on performance (based on our 2015-20 business plan) placed us as one of 15 companies who were classified as requiring ‘targeted’ assurance. This year, Ofwat has moved us to the ‘self-assured’ category. Whilst overall Ofwat assessed that we demonstrated sufficient ability to move to self-assessed, one area with an assessment of minor concerns, that was particularly highlighted by Ofwat, was casework. During 2016-17 we have continued to work with both Ofwat and affected customers to resolve the strategic case relating to the provision of sewerage services to 23 properties in Derbyshire. This case has since been closed by Ofwat.

3.2.2 Group 2: customers

Customers may not always have a strong interest in, but are reliant on the information we produce.

Our customers rely on us reporting accurate information – particularly with the introduction of customer ODIs where the information we produce can have a direct impact on their bills. They may not, however, always be aware of it nor have a strong interest in it.

This year we commissioned an independent third party to conduct four customer focus groups across our geographical region to understand how customers preferred information to be presented to them. Specifically,

² <https://www.cewater.org.uk/wp-content/uploads/2016/10/Severn-Trent-Water-Testing-the-Waters.pdf>

³ See: <http://www.dwi.gov.uk/about/annual-report/2015/central-eastern.pdf>

⁴ <http://www.ofwat.gov.uk/regulated-companies/company-obligations/information-and-assurance/>

we wanted to give customers the chance to express their views on how we explained the impact of our customer ODIs.

The customer focus groups held were:

- two groups in Leicestershire; and
- two groups in Sutton Coldfield (Birmingham).

Additionally, the Birmingham groups were attended by a member of CCWater.

Prior to the session, customers were asked to spend no more than 30 minutes reading through our annual performance report for customers. During the focus group, we provided a printed copy of two other water company's performance report available for customers to look through to prompt discussion on the different approaches taken to displaying performance information. A series of questions designed by our research partner, in conjunction with ourselves, were asked to help prompt discussion on the topic.

Following the sessions, customers indicated that our current approach is fit for purpose, however, there were some areas for improvement and key themes:

- The need to create a more engaging and cognitively less demanding narrative by:
 - thinking about how we use diagrams, icons and colour coding;
 - contextualising our performance by providing performance over time and their financial implications; and
 - stripping out jargon and irrelevant information from customers' perspective.
- Customers appreciated our honesty around areas where we failed to meet our stated targets. From their perspective, this engendered trust as we were seen as not "hiding anything". However, customers were also keen to see that we had an action plan for addressing poor performance. We will continue our transparent approach while also being clear on how we will improve in future.
- Exploring ways of signposting when and where the information was available. While some customers suggested we could have bill inserts, we know from other research that customers generally do not appreciate this method as there is a perception that inserts are 'junk mail' and are immediately binned as a result. Other customers suggested, we could explore ways of further using social media to highlight performance to customers. We set up a dedicated page on our website to explain bills, including the customer ODI element and have included a link to this page on our bills. Plus, we posted links on twitter and facebook to let customers know. Additionally we are proactively creating links between the new 'Discover Water' website and our own website to better explain our performance. The new 'Discover Water' dashboard has been created by Water UK to highlight and compare water company performance.

3.3 Our internal assessment

This year we used the framework established in the prior year to identify potential risks to complying with our statutory and regulatory obligations (relating to our regulated water business).

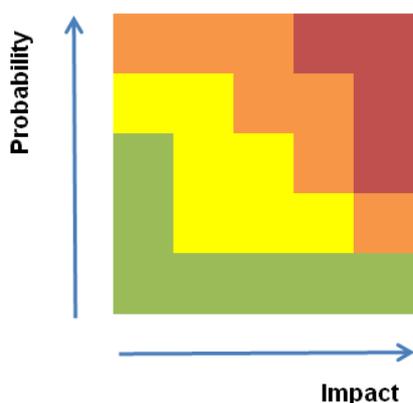
Our framework seeks to ensure there is clear ownership and accountability for each of our duties and obligations from director level, to accountable strategic leaders (senior management) and responsible managers. The framework includes existing obligations, and new statutory obligations yet to be commenced.

Each year, strategic leaders accountable for the delivery of obligations are asked to perform a ‘self-assessment’ against four key parameters – purpose, people, competency and controls. This assessment allows us to form a **probability metric** – to identify areas of compliance risk.

We use an **impact metric** based on the impact of a risk materialising to: public health and safety; the environment; customer service; competition; revenue and market confidence (e.g. reputational impact). This helps us to prioritise areas for improvement during the course of the year. Where risks are identified, our ‘second line of defence’ (explained in section 4) oversight teams work with the teams accountable for delivery to make process improvements. At the end of the financial year, strategic leaders carry out a further assessment. This process helps to inform our Board’s annual risk and compliance statement. The process is reviewed by our independent Internal Audit team and the outcome is cross-checked against the risks that are identified by our enterprise risk management (ERM) process and which is reported in our Annual Report and Accounts.

Figure 2 demonstrates how we prioritise areas that may require increased levels of assurance i.e. areas with high probability and high impact in the red and amber zones will be reviewed over yellow and green areas.

Figure 2: illustrative risk matrix



Our aim is to target areas where we can make process improvements. However, the framework can also help to indicate where there could be risks to the quality of information we provide to our customers and stakeholders.

This year, from our internal assessment we identified three high priority risks relevant for this statement:

- *Performance reporting* – similar to last year, this area remains a high priority (in recognition of the potential impact our performance commitments have on our customers, the environment and market confidence). We explain further below.
- Ongoing requirements for the *non-household retail market and other competition provisions* – this risk reflects that new statutory and regulatory obligations have been introduced to ensure all companies are ready to participate in the retail market in April 2017. We recognise the importance of retail competition to non-household customers and therefore the importance for us to be ready for market opening in April 2017 in line with our new and changed obligations. Furthermore, until we exit from the non-household retail market, we will be responsible for Water Plus’ regulatory performance in any retail related measures (e.g. written complaints and retail GSS). It should be noted that Water Plus will publish its own financial statement at year end, however, where Water Plus carry out

regulatory commitments on our behalf we will ensure the data goes through robust assurance processes.

- New statutory provisions relating to *developer services and new voluntary reporting requirements* – similarly, this risks reflects that new statutory and regulatory obligations are being introduced that require new processes and systems to be developed, and in the light of the potential impact on customers, the development of competition and market confidence.

Our assurance plans (in the next section of this document) set out how we will mitigate these risks.

3.4 Performance commitments and customer ODIs

We made 45 performance commitments in our business plan for 2015-20, reflecting the issues that matter most to our customers. Of these, 33 have financial rewards and penalties attached to them as customer ODIs.

We made a decision as we developed our business plan in 2013/14, in discussion with the Water Forum that all performance commitments should be a priority area for a high degree of assurance. This was because:

- our performance commitments reflect the areas of service that our customers have told us are most important to them – we have an obligation to accurately report if we are meeting our commitments;
- our investors can make decisions as to whether to invest in our company based on the performance data we provide – we have a fiduciary duty to accurately report how we are performing; and
- along with two other companies, some of our customer ODIs apply during the 2015-20 period, reflecting our performance on a year by year basis – if we are to make decisions that impact our customers' bills, we must have confidence that it is on the basis of high quality information.

In recognition of these risks, we commissioned independent third line assurance to carry out a two stage audit during the first half of 2016/17. The audit, undertaken by Jacobs Consulting, provided:

- stage 1a assessments for all 45 performance commitments with specific review of the action log from the 15/16 year end reviews;
- stage 1b assessments either where concerns were identified during the 15/16 year end reviews or where processes have changed since the last review; and
- stage 2 assessments only for performance commitments where the associated customer ODI will impact on in-period rewards/penalties.

We have reported the outcome of this half-year assessment internally to our Audit Committee and it will be discussed with the Water Forum in preparation for year end. It will be used to target the further third line assurance – 'deep dives' - we employ during the second half of 2016/17 and at the financial year end.

Our assurance plan sets out how we propose this will be undertaken.

4. Assurance plan: our approach

This section sets out our assurance plan for 2016/17. The first part provides an overview of our approach to assurance. The second part focuses on the key areas identified in our risk statement as well as where we already have established third-line assurance processes that we propose to continue in 2016/17.

We have a well-established assurance and performance reporting framework. Our assurance plan for this financial year, 2016/17, continues the processes we have implemented in last year's assurance plan for reporting our performance commitments in our Annual Report and Accounts and Annual Performance Report.

Our framework is underpinned by four key principles:

- *Robust assurance* – we operate a three-lines of defence model, targeted at areas of greatest risk.
- *Ownership and accountability* – we have clear lines of ownership for both the delivery of performance, and the accuracy of the data provided.
- *Effective governance* – provided by our Board, Audit Committee, Disclosure Committee and with additional challenge provided by the Water Forum.
- *Transparency and public accountability* – we publicly report on our performance, and hold ourselves to account where we do not meet our commitments.

In this section we provide an overview of each principle.

4.1 Robust assurance

We have an established approach to internal controls and related assurance. We operate the 'three lines of defence model' which distinguishes between first line processes and controls, second line oversight and third line independent assurance.

Table 1: Three lines of defence model

Line	Functions	Purpose	Typical activities
1a	<i>Business operations:</i> Wholesale operations, Customer teams	Responsible for the delivery of service and performance.	<ul style="list-style-type: none"> • Provision of source information
1b	<i>Embedded first line:</i> Wholesale planning and performance, Retail planning and performance.	Responsible for the reporting of performance	<ul style="list-style-type: none"> • Reporting of performance information • Defining and documenting methodologies and processes • Quality checks and reviews
2	<i>Oversight functions:</i> Chief Engineers Office, Finance, Regulation, General Counsel	Define policy and provide assurance.	<ul style="list-style-type: none"> • Development of assurance framework • Quality checks and reviews of systems and controls
3	<i>Independent assurance:</i> Internal Audit, external assurance providers	Provide independent challenge of levels of assurance provided by first and second line	<ul style="list-style-type: none"> • Review methodologies and processes • Review application of methodologies and

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- processes and ultimate integrity of the data
 - Review completeness and appropriateness of assurance framework (Internal Audit)
-

Assurance is a year round activity for us and first and second line activities are undertaken throughout the year giving us visibility of potential risk areas. For areas identified as higher risk, or where we have specific reporting obligations (e.g. financial accounts), we employ external third line assurance at relevant points during the year, much of which is brought together and culminates in our year-end financial and performance reporting.

Section 5 sets out where we propose to employ third line assurance this year (2016/17), and in the light of the risks identified in section 2.

4.2 Ownership and accountability

Strong personal and collective ownership is critical for ensuring the accuracy of information we produce, driving improvements and holding ourselves to account. Regular internal performance reporting to our Executive Committee (weekly and monthly) and Board (at every meeting), and half-yearly performance reporting to the Water Forum reinforces this culture of ownership and accountability. Every year we refresh our compliance framework to ensure that individual accountabilities are assigned to our regulatory and statutory obligations. And we operate a rigorous process of sign-off for our performance data – sign-off by the data owner, the responsible senior manager and finally the accountable director in addition to our Board governance arrangements (see below).

Our three lines of defence assurance model ensures that there is clear separation of accountabilities between those responsible for delivery of a performance commitment or a regulatory/statutory obligation and those responsible for ensuring the integrity of that data. This delineation is mirrored in our governance arrangements.

4.3 Effective governance

As a publicly listed company we have committed to comply with reporting requirements under the UK Corporate Governance Code, the Transparency Directive and UKLA Listings Rules. We continue to adhere to the principles set out in Ofwat’s ‘updated assessment of monopoly water companies’ governance arrangements’⁵ published in June 2015.

Our assurance plans provide for governance of our performance commitments and other external reporting with a clear delineation of accountabilities.

- The Board’s role is to meet its obligations to the company’s stakeholders. It reviews performance in the light of the company’s strategic objectives and business plan commitments – ensuring that any necessary corrective action is taken.
- The Board’s Audit Committee assists the Board in discharging its responsibilities for the integrity of the company’s financial statements, the assessment and effectiveness of internal controls and the effectiveness of internal and external auditors.
- A Disclosure Committee oversees the company’s reporting obligations under the Companies Act 2006, the UK Corporate Governance Code and the UKLA Listings, Disclosure and Transparency Rules.

⁵ http://www.ofwat.gov.uk/wp-content/uploads/2015/11/pap_pos20150615boardleadership.pdf

- The Water Forum provides independent external challenge of both our performance against our commitments and the information we provide on it.

4.4 Transparency and public accountability

Since 2008 we have had a Continuous Disclosure and Communications policy. This sets out our commitment to earn the trust of our customers and stakeholders by being open in our communications and performance reporting.

Our communications are based on transparency, integrity, accessibility and timeliness. Each year we publish Annual Report and Accounts for Severn Trent Plc and Severn Trent Water Ltd and publish an annual performance report against our regulatory performance commitments for the latter.

5. Assurance plan: in detail

Section 4 sets out our overall approach to assurance. In this section we set out our assurance plan for 2016/17. It does not detail every assurance activity that we carry out during the year, particularly using first and second line defence, but rather focuses on the key areas of risk identified in section 2 (table 2) as well as where we have established (table 3) third-line assurance processes (for example, audit of statutory accounts) that we propose to continue.

Some of the activities are already underway but we welcome views as to whether such activities should be continued/will be sufficient in future years.

Table 2: Third line assurance processes for 2016-17 driven by statement of risks, strengths and weaknesses

Area	Reason for inclusion	Overview of activity
Performance commitments and ODIs	In our own assessment, and in our stakeholders' view, all performance commitments are a priority area given the immaturity/complexity of some performance commitments and the potential impact on customers, environment and market confidence. Assurance will be undertaken at both half and full year (to identify any issues well in advance of final end of year reporting). Further 'deep dives' may be applied to areas of greater risk identified at half-year review and during the year.	<ul style="list-style-type: none"> • External third line review of methodology • External third line face to face review of methodology application • External review of reported performance figures • Additional deep dives into key customer priorities and emerging areas of process risk from half-year review
Annual performance report	This report is the principal way that we will document our annual performance and hold ourselves publicly to account. The report will include inputs from other areas covered by this assurance plan (e.g. financial accounts) and require some forecasts of performance. It is important that we present information in a fair and balanced way that is accessible to our broad range of customers and stakeholders.	<ul style="list-style-type: none"> • External third line assurance of data, performance forecasts (and methodologies) and the presentation of information • Water Forum review of the presentation and dissemination of information
Cost allocation and segmental reporting	Although Ofwat were satisfied with the additional information on cost allocation we provided in response to a query on our business plan, and subsequent regulatory accounts submissions, with the introduction of greater competition, we want to ensure retailers and our customers can continue to have confidence about the costs that are reflected in their charges between water, waste, household and non-household	<ul style="list-style-type: none"> • External third line review of methodologies and application of regulatory accounting guidelines 2, 4 and 5.
Preparations for non-household competition and	Failure to demonstrate readiness and compliance with a level playing field could have a significant impact on customers, market confidence and competition. Three letters of assurance are required from companies in order to demonstrate sufficient readiness to	<ul style="list-style-type: none"> • External third line assurance of programme plan, resources, and management of delivery risks.

market assurance (Water Act 2014)	enter the retail market (we have submitted two of these already). Furthermore there are market requirements to provide performance data post April 2017, which we need to ensure that non-household customers will have sufficient confidence in.	<ul style="list-style-type: none"> External third line assurance of data and underlying activity.
Drinking water quality performance	We continue to recognise this as an ongoing area that requires a greater focus and provide stakeholder assurances that operational and performance improvements are being made.	<ul style="list-style-type: none"> Continued implementation of the 'cleanest water' improvement programme. Internal audit third line assurance of programme plan, resources, and management of delivery risks Weekly working group
Voluntary reporting on developer services	We are currently providing data on a voluntary basis but recognise our statutory duties are changing (following the Water Act 2014). As such this will be an area of focus for our assurance plans.	<ul style="list-style-type: none"> Second line review of reporting processes and methodology Internal and External Audits have taken place on the data provided.
Strategic casework	Ofwat has closed its one strategic case about Severn Trent regarding sewerage provision in Derbyshire. However, we recognise that casework was highlighted as an 'amber' area in Ofwat's review of our assurance status. To ensure we maintain 'self assured' we will continue to focus on this area.	<ul style="list-style-type: none"> Escalated senior manager to case manage reaching a resolution (second line). Regular reporting to executive on action being taken.

Table 3: Established assurance processes

Area	Reason for inclusion	Overview of activity
Charges scheme	We have established processes to ensure that our charges scheme is consistent with charging principles and our revenue caps.	<ul style="list-style-type: none"> External third line assurance of tariffs model and application. External third line assurance of data inputs and application of charging principles. External third line review for 'margin squeeze'.
Statutory and regulatory accounts	The continuation of established processes to audit our accounts in line with statutory and regulatory requirements.	<ul style="list-style-type: none"> External third line audit of accounts in line with agreed procedures.
Access prices	This is an established process. Changes in the regulatory framework mean that published access prices (a key mechanism required to support the development of competition in the water industry), unless for common carriage, are now only indicative.	<ul style="list-style-type: none"> External third line review of inputs

Annual report to CCWater	On a quarterly and annual basis, we submit operational performance data to CCWater for a number of measures including customer complaints, sewer flooding, pressure and supply interruptions. The majority of this data is taken directly from our performance commitments reporting. For example, the written complaint data submitted to CCWater forms a part of the Service Incentive Mechanism (SIM) and is subject to internal and external year end assurance. For measures that are not a part of our performance commitments, we provide appropriate second line assurance.	<ul style="list-style-type: none">• Where data is derived from performance commitments e.g. SIM, it is subject to the same assurance as noted below.• Where data is not derived from performance commitments, second line assurance is undertaken.
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6. Any questions?

If you have any questions about our assurance plans, you can contact us at:

future.consultation@severntrent.co.uk

Or by post to:

Strategy and Regulation

Severn Trent Water Ltd

PO Box 5309

Coventry

CV3 9FH

Appendix 1: Customer ODI table 2015/16

Performance Commitment	2015/16 Target	2015/16 Out-turn	Potential to impact bills in 2017/18
Number of customer complaints about drinking water quality	11,900	13,941	✓
Compliance with drinking water quality standards as measured by the Drinking Water Inspectorate	99.97%	99.96%	✓
Asset stewardship - number of water treatment works with coliform failures	<8	5	✓
Number of successful catchment management schemes we deliver	N/A	0	
Volume of water put in to our network per customer	225	237	
Leakage levels	444	434	✓
Speed of response in repairing leaks (% fixed within 24 hours)	70%	53%	✓
Number of minutes customers go without supply each year (interruptions to supply > 3 hours)	13.6	11.17	✓
% of customers with resilient supplies (those that benefit from a second source of supply)	N/A	77.0	
Asset stewardship - number of bursts on our water distribution network		4,784	✓
Customers at risk of low pressure	250	162	✓
Restrictions on water use (whether we have imposed temporary use bans within the year)	0	0	
Timing delays on Birmingham resilience scheme	N/A	N/A	
Non-delivery of the outcome of the Birmingham resilience scheme	N/A	N/A	
Timing delays on community risk schemes	N/A	N/A	
Non-delivery of the community risk schemes	N/A	N/A	
Timing delays on Elan Valley Aqueduct (EVA) maintenance	N/A	N/A	
Non-delivery of the Elan Valley Aqueduct (EVA) maintenance	N/A	N/A	
Customers rating our services as good value for money (based on tracker survey) (water)	47%	57.48%	✓
Improvements in river water quality against Water Framework Directive criteria for the water service	N/A	0	
Biodiversity (sites we own, or we impact upon, that are assessed as favourable by Natural England)*	N/A	323	
Abstraction sites with eel protection at intakes	N/A	0	
Size of our carbon footprint for our water treatment and distribution activities	228	247	✓
Improving our customers' understanding of our services through education*	155,000	117,728	
Number of internal sewer flooding incidents	1014	804	✓
Number of external sewer flooding incidents	7,639	7,142	✓
Working in partnership with other organisations to deliver schemes with mutual benefits relating to flooding	N/A	0	
Asset stewardship - the number of blockages in our sewerage network	<50,470	44,107	
Delivering our statutory obligations for rural customers being connected to the sewerage network for the first time	N/A	35	
Customers rating our services as good value for money (based on tracker survey) (waste)	47%	57.48%	✓
Improvements in river water quality against Water Framework Directive criteria for the waste service	N/A	0	
The number of category 3 (minor) pollution incidents	429	293	✓
Asset stewardship - environmental compliance*	100%	97.51	✓
An incentive to deliver innovative, sustainable sewage treatment solutions	N/A	0	
The number of category 1 and 2 (serious) pollution incidents	8	2	
Overall environmental performance (basket of environmental performance commitments)	N/A	N/A	
The number of category 4 (no impact) pollution incidents	225	186	
Size of our carbon footprint for our waste water collection, treatment and disposal operations	248	238	✓
Customer satisfaction with their service	Median	Median	
Customers experience (SIM)	Upper quartile	TBC	TBC
Number of customers helped by our social fund	35,000	24,110	✓
Percentage of customers who do not pay	2.7	1.8	✓

*Counts as two commitments - one for water, one for waste water