

Severn Trent Statement of Assurance

Schemes of Charges 2019-20

11 January 2019

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Statement of Assurance

Severn Trent Water Schemes of Charges 2019-20

Introduction

The purpose of this statement is to describe how we have complied with our relevant statutory, regulatory and licence obligations as set out in [Ofwat's Information Notice 18/18](#) (Expectations, assurance and information requirements for water company charges for 2019-20) and charging scheme rules; whilst ensuring we have considered any impacts on customers and undertaken sufficient consultation when developing our wholesale charges.

Ensuring trust, confidence and assurance

This statement and the associated assurance activities undertaken have been reviewed and completed by our Board as part of Severn Trent Plc governance arrangements, during both the development of the 2019/20 indicative and final charges. More information on our governance and assurance activities can be found on our [website](#).

As set out in our [assurance plan](#) for 2018/19, we target our assurance processes at the areas which matter most to our customers and regulators. Therefore, we've used our three lines of assurance model and engaged Jacobs Consulting to undertake external assurance on our wholesale charges; and Internal Audit to review the completeness of the assurance process and consistency checking of inputs to the model. The outcome of all assurance has been transparently reported to, and reviewed by, the relevant Executive Directors and Audit Committee prior to review and approval by our Board.

Following our own internal first and second lines of assurance, Jacobs followed its established three stage approach to assurance covering a desktop review of documentation, face to face meetings to review our processes and a review of the forecast data. In summary Jacobs concluded *"We have observed that the STW teams have taken account of previous year's feedback and made improvements to their processes and documentation including updating your documentation to cover the end to end process including a consideration of the risks of changes between indicative and final charges in the business multiplier forecasts. Overall, we consider that the company complies with the charges schemes rules, wholesale charging rules and other relevant legal obligations, and that the company has in place systems and procedures to produce the required final wholesale charges submission and that the forecast data used in the production of the submission to Ofwat is accurate."*

Board considerations

In approving the 2019-20 Severn Trent Water Charges, our Board has considered:

- Our 'Statement of significant changes in our wholesale charges - 2019-20' as published on our website in July 2018 and January 2019.
- Papers outlining the Company's procedures for the production and assurance of the tariffs and associated Charges Scheme, and
- with respect to the production of the tariffs and Charges Schemes, our Board has specifically considered the following:
 - The governance framework detailing the assurance approach adopted and the outcome of the independent review of the framework undertaken by Internal Audit.
 - The clearly defined accountabilities and responsibilities including formal sign off by approved data owners.
 - The scope of the assurance work undertaken by our independent technical assurance partners, and their findings as detailed in the final audit reports.

- Confirmation of the degree of assurance undertaken on the source information / data used in the tariff calculations.
- The dedicated and assured Charges model designed to deliver wholesale and retail tariffs.
- Confirmation that there are no material issues outstanding arising from the assurance work undertaken.
- Confirmation that the indicative wholesale tariffs have been calculated in a manner compliant with the individual price controls.
- The outcome of the discussions with CCWater regarding indicative tariffs and evidence that any feedback has been duly taken into consideration.
- The content and tone of the Board Statement.

Board statement

Having considered the above the Board confirms that in our opinion:

- The tariffs and Charges Schemes have been compiled in a planned and professional manner with appropriate accountabilities and responsibilities and are consistent with the overriding system of governance and control of the company.
- A committee comprising of Executive and non-Executive Board members have been fully engaged in the process and have approved the final submission.
- The Charges Schemes and Charges model presents fairly, in all material respects, data for the different volumes and charges for 2019-20; and tariffs for 2019-20 that comply with the price controls.

This endorsement can only apply to data supplied from our own systems. Where we use data from other water and sewerage companies or from the Central Market Operator System, we do so on the basis that other companies apply similar measures to ensure that their data meets Ofwat requirements.

Our Board has carefully considered the impact of charges on customer bills for different customer groups with appropriate tariff strategies and impact assessments where necessary. The assessments are informed by the level of RPI the indicative policy threshold of 5% and specific factors of the customer groups being considered.

Furthermore, our Board specifically confirms that:


- The Company has sufficient processes and internal systems of control to ensure that the data and information contained in the Charges Schemes and tariff model is sufficiently accurate to meet its obligations.
- For the sample reviewed that there are no tariff rises above the 5% threshold that would require a further impact assessment.
- The wholesale charges have been presented in a suitable format consistent with the requirements of Ofwat's standard wholesale schedule template.
- Stakeholders (including CCWater) were consulted in a timely and effective manner.

Accordingly, we believe that the 2019-20 Charges Schemes comply with our statutory and regulatory obligations in all material respects and are consistent with Ofwat's published guidance on charging principles.

Signed by, and on behalf of our Board:



Andrew Duff
Chairman
Severn Trent Water Ltd



Liv Garfield
Chief Executive
Severn Trent Water Ltd



John Coghlan
Chairman - Audit Committee
Severn Trent Plc