

2023/24

Regulatory reporting

Final assurance plan



Introduction

About this document

This document sets out our assessment of the potential risks, strengths and weaknesses that could affect United Utilities Water Limited's (UUW) regulatory reporting in year four of AMP7 (our five-year business plan period running from April 2020 to March 2025). It also describes the governance and assurance arrangements that we are proposing to put in place to support our reporting and to ensure that we can:

- provide accurate data, based upon robust data assurance activities; and
- demonstrate that we are listening to customers and delivering services they want and can afford.

About us

United Utilities Water Limited (UUW) provides regulated water and wastewater services in the North West of England, serving around seven million people and 200,000 businesses. Its ultimate parent company is United Utilities Group PLC, a publicly listed company on the London Stock Exchange. We are regulated by:

- **Ofwat** – the economic regulator of the water sector in England and Wales;
- **Drinking Water Inspectorate (DWI)** – regulates public water supply companies in England and Wales;
- **Consumer Council for Water (CCW)** – the independent voice for water consumers in England and Wales;
- **Environment Agency (EA)** – the environmental regulator in England;
- **Natural England** – responsible for ensuring that England's natural environment is protected and improved; and
- **Defra** (the Department for Environment, Food and Rural Affairs) – the primary government department in relation to the water and wastewater industry.



Introduction

Our purpose

Our purpose is to provide great water for a stronger, greener and healthier North West. This drives us to continually improve our performance, and highlights how environmental, social and governance considerations are integral to everything we do.

Our strategic priorities

Our strategy to enable delivery of our purpose has six priorities:

- Improve our rivers
- Create a greener future
- Provide a safe and great place to work
- Deliver great service for all customers
- Spend customers' money wisely
- Contribute to our communities

Our core values

Our core values provide the cultural framework within which we operate.

- **Do the right thing** – as a responsible business, we want our people to always focus on doing the right thing. This means always putting safety first, delivering for the benefit of our stakeholders, championing fairness, acting with courage and speaking up if they come across anything that doesn't feel right. This is vital for building and maintaining trust with the public and all our stakeholders, and for delivering our purpose.
- **Make it happen** – we are focused on supporting each other and working as a team to make things happen, taking accountability and putting progress over perfection. We want to celebrate successes, for individuals and for the company, and learn when we don't get things right first time.
- **Be better** – ultimately, everything we do is about improving things and creating a better tomorrow for everyone. We want to be better as a company, and this means encouraging our colleagues to live this value as well. We want our people to be curious, ambitious, and solution-focused, seeking out new and innovative ways to deliver our services more efficiently and effectively. We embrace diversity and inclusion, collaboration and partnership opportunities, innovation and best practice ideas.

We published our draft assurance plan in December 2023. We have updated our approach in this, our final plan. We continue to welcome any comments or other feedback on this document or on our approach to reporting on our performance more generally. Comments should be sent to us at myview@uuplc.co.uk



Contents

1	Background and context	5
1.1	The AMP7 reporting and assurance framework	6
1.2	Coverage and structure of this document	9
2	Regulatory reporting assurance framework	10
2.1	Coverage of the assurance plan	11
2.2	Assurance plan for the 2023/24 Annual Performance Report	15
3	Targeted areas	16
4	Assurance plans for the targeted areas	19
4.1	Performance commitments and outcome delivery incentives	20
4.2	Water quality	22
4.3	Charges and tariffs schemes	24
4.4	System implementation	26
4.5	Market support	28
4.6	Permit compliance	30
4.7	Haweswater Aqueduct Resilience Programme (HARP)	32
4.8	Water transfer programme	34
4.9	Drainage and wastewater management plans (DWMP)	36
4.10	Internal sewer flooding	38
4.11	Reconciliation models and applications for in-period determinations	40
4.12	PR24	42
4.13	Storm overflows	44
5	Next steps	46

1 Background and context



1.1 The AMP7 reporting and assurance framework

Background

The provision of reliable, accurate and complete information and data is an essential part of building and maintaining trust with customers and other stakeholders who rely on the services we provide.

Given our position as a provider of essential public services, we have a responsibility to provide accurate and easily accessible information about performance. We pride ourselves on publishing trusted information and have a proven track record of providing open, transparent and high-quality information about our performance to customers, stakeholders and regulators.

We have a sound approach to assurance which is a key enabler to high quality data provision. We intend to maintain, and where appropriate evolve, our approach to assurance throughout AMP7 to build further on the trust we have earned, make improvements where shortcomings are identified and to enhance the confidence that customers, regulators and other stakeholders can have in United Utilities' performance reporting.

AMP7 assurance framework

We strive to follow best practice. Over AMP7 we continue to develop and refine our approach to assurance so we ensure that we deliver high quality data into the public domain.

We continue to publish a draft and final assurance plan (at unitedutilities.com/corporate/about-us/performance/Assuring-our-performance-2020-25) and a document to outline and update our assurance approach – our AMP7 Assurance Framework. We look to clearly identify any areas of particular risk and provide additional assurance steps where required.

We work with stakeholders and YourVoice – the independent challenge group representing North West customers – to further improve transparency and stakeholder engagement with our reporting.

In AMP7 we are utilising our assurance framework across a number of publications, including our company charges publications, business plan submission, industry-wide reviews, company-specific casework and other submissions to Ofwat, other regulators or industry bodies. Section 2 contains further details of some of these.

Assurance updates

We refreshed our approach to assurance in AMP7. In the first three years of the AMP we have introduced more granular levels of risk so that we can further target our assurance activities and implemented an electronic sign off process. More details of this can be found in section 2 of this document.

We have also published a detailed description of our updated approach to assurance in AMP7, which can be found on our website at:

unitedutilities.com/corporate/about-us/performance/Assuring-our-performance-2020-25

The document provides an overview of how we apply our risk-based approach to ensure that reported data and information receives the appropriate level of challenge, review and approval.



1.1 The AMP7 reporting and assurance framework

Application of the framework to reporting

Our approach in year four of AMP7 is to build on our strong track record with a focus on reporting our performance and any resulting financial incentives accurately and transparently. The timeline for reporting is described below.

AMP7 performance commitments (PCs)

In AMP7 there are a number of common performance commitments which make it easier for customers to understand our performance and to compare it both against our performance targets and the performance of other companies. This includes performance commitments such as leakage and sewer flooding.

These common measures are then supplemented by bespoke performance commitments which reflect additional levels of service or focus which are specific to each company's customers. At United Utilities this includes measures such as better air quality and enhancing natural capital value for customers. In total we are reporting against 47 separate performance commitments in AMP7. In 2023 it was agreed with Ofwat to introduce an additional performance commitment relating to the provision of the Haweswater Aqueduct Resilience Programme (HARP) by way of direct procurement for customers.

To manage the water supply resilience risks for Manchester and the Pennines, the programme is needed to replace tunnels which form part of one of the main aqueducts supplying the areas. In order to maximise the value to customers this project will make use of markets through direct procurement. This means that a competitively appointed provider will finance, deliver, and manage the project, giving more opportunity for market forces to deliver the project efficiently.

This additional performance commitment seeks to maximise the value from the appointment of the Competitively Appointed Provider through a DPC procurement and obtain the most efficient cost for delivery of the project and shall remain in place for the duration of the procurement stage only. It is expected the procurement process shall conclude within the current price control period (where the current price control ceases on 31 March 2025).

Outcome delivery incentives (ODIs)

For 40 of our performance commitments there is also an associated financial outcome delivery incentive (ODI). This financial incentive seeks to penalise or reward performance when we fail to meet or exceed the targets set in a performance commitment. These incentives are sometimes known as underperformance or outperformance payments. The other seven performance commitments which do not have financial incentives are incentivised on a reputational basis.

Incentive reconciliation

In AMP7 many financial incentives resulting from our performance are being applied annually. This 'in-period process' applies to the majority of ODIs, with only a small number of ODIs being reconciled solely at the end of the AMP7 period.

We report our annual performance against our performance commitments and set out our proposed calculations of ODIs through the Annual Performance Report in July.

Ofwat will assess this information to make an in-period determination each November. This allows ODIs to be reflected in setting charges for the following year.

For year four, the in-period reconciliation approach will be applied following the publication of performance information in July 2024, with any financial reconciliation being applied in AMP8.

1.1 The AMP7 reporting and assurance framework

Annual reporting timeline

Jul 2023	AMP7 year three APR published
Oct 2023	Indicative charges published reflecting company view of AMP7 year three financial incentives
15 Nov 2023	Ofwat publishes in-period determination
End of Nov 2023	Publish consultation on regulatory reporting and draft assurance plan
Dec 2023 and Jan 2024	Final charges and charges schemes published for 2024/25 reflecting AMP7 year three financial incentives
Apr 2024	Publish final assurance plan (this plan)
Apr 2024	2024/25 charges applied
Jul 2024	AMP7 year four APR published
Oct 2024	Indicative charges published
Dec 2024	Ofwat publishes PR24 final determination
Dec 2024 and Jan 2025	Final charges and charges schemes published for 2025/26 reflecting PR24 determination
Apr 2025	2025/26 charges applied

1.2 Coverage and structure of this document

This document has five sections in total. Following this background and context section, the remainder of the document is structured as follows:

- **Section 2: Regulatory reporting assurance framework**

This section provides a summary of the assurance framework applied to our overall regulatory reporting and to the key regulatory reports published during the year.

- **Section 3: Targeted areas**

This section explains the process that we have followed to identify high risk or high priority targeted areas. It also provides a summary of these areas and explains differences from the areas set out in our previous assurance plan.

- **Section 4: Assurance plans for targeted areas**

This section provides details of the nature of the risks affecting each of the targeted areas and provides a summary of the mitigation plans that we are proposing to put in place to manage these risks. It also sets out the additional governance and assurance regimes that are being applied.

- **Section 5: Next steps**

This section sets out how we will finalise, then implement and report back on the assurance plans set out in this document.

We publish an AMP7 assurance framework document to support our assurance plans. This provides more background and detail on the assurance framework. The sections in that document are:

- Measurement and data capture
- Risk-based assurance of our regulatory reporting
- Audit and assurance of our regulatory reporting
- Governance and accountability
- Additional communications and publications
- Independent challenge and review

Our AMP7 Assurance Framework is available on our website at:

unitedutilities.com/corporate/about-us/performance/assuring-our-performance-2020-25



2

Regulatory reporting assurance framework



2.1 Coverage of the assurance plan

The assurance framework that we have put in place to support our regulatory reporting is designed to ensure that we can:

- provide accurate data, based upon robust data assurance activities; and
- demonstrate that we are listening to customers and delivering services they want and can afford.

This section identifies some of the key areas where we have applied or expect to apply our assurance framework during AMP7.

Annual Performance Report

Our principal regulatory publication is the Annual Performance Report (APR). This report provides key information to demonstrate how we are complying with our statutory and regulatory obligations and to track our performance and the delivery of our business plan commitments. A small number of errors were identified through our internal checks and Ofwat queries in our AMP7 year three APR. We are introducing additional processes to reduce the chances of similar errors occurring in future. An overview of the assurance that will be provided to support our APR in year four of AMP7 is set out in section 2.2.

Charges schemes

The charges schemes set out the company's wholesale charges, end user household charges and new connections and developer service charges and the terms and conditions of those charges. They are subject to a series of reviews by members of the company's legal team for compliance with the relevant legislation. On completion, each section of the charges is reviewed and approved by middle and senior managers.

Corporate Audit provides an independent review of the charges models, and section 3 of the assurance statement for wholesale and household and section 2 for new connections and developer services, and presents its findings to the UUW board. The charges scheme assurance statements are published on our website.

Targeted or industry-wide data reviews

From time to time we are required to provide information to Ofwat to support targeted reviews that are undertaken on industry-wide issues. For example, during AMP7 we provided additional data to support Ofwat's review of competition in developer services and changes proposed through PR24. When information is requested by regulators to support targeted reviews, where possible we review the risks associated with data and establish assurance and governance plans for the data provided, proportionate to the risks involved and the time available for collation, checking and submission.

Ongoing industry investigation

On 18 November 2021, Ofwat and the Environment Agency launched industry-wide investigations into company compliance with discharge permits at wastewater treatment works. We are cooperating with these investigations. As they continue and, ultimately, complete we will continue to consider and review any emerging findings or conclusions and understand what implications, if any, there may be for our future assurance and reporting approach.

Casework or company-specific information requests

We actively manage casework and work with customers to try to address their concerns before they escalate into formal cases. We monitor industry casework so that we can try to pre-empt issues that have occurred in other areas. If cases are raised, we seek to work with the Ofwat Casework team so that we can provide the information that it needs. Reports are produced about cases and potential cases for the executive, with lessons learnt from cases (both our own and industry wide cases) being disseminated and presented back to the relevant business area through team meetings and workshops.

2.1 Coverage of the assurance plan

Bioresources, water resources and wastewater information

We publish information relating to bioresources on our website, which is designed to be useful to potential new entrants to these markets.

Our water resources management plan (WRMP) defines our strategy to achieve a long-term, best value and sustainable plan for water supplies in the North West. The final WRMP for 2020–25 was published in August 2019. All water companies are required to produce an annual review of their WRMP to ensure that the plan remains fit for purpose. In this annual review we report on our water resources activities for the reporting year, and our progress delivering the plan. Information on our WRMP is also published on our website to enable potential market participants to identify opportunities to supply water resources or provide demand management or leakage services. The processes around the production and assurance of these documents and information are well established and robust. Specific detail of the governance and assurance activities associated with the WRMP are set out in a technical report published alongside the WRMP on our website.

Along with most other water and sewerage companies, we have developed a long-term drainage and wastewater management plan (DWMP). While long-term planning is not new for wastewater, these plans are designed to transparently document the companies' wastewater asset bases, provide a baseline view of the operational or performance issues affecting these assets, demonstrate how these assets and performance risks would change over time as a consequence of changes in demand and climate change and set out an optimised long-term programme of work to cost effectively address these issues.

A revised draft WRMP for the 2025–30 period is currently awaiting regulatory approval following consultation on the draft plan. This will be published once final approval is given, and subject to any changes identified in that process. The final DWMP for 2025–30 was published in May 2023. Both these plans inform our overall Long Term Strategy, the 2024 Price Review and related submissions. The DWMP and the WRMP are updated every five years.

Further details about the specific assurance for DWMP can be found in the 'Assurance plans for the targeted areas' section of this document (section 4.9).

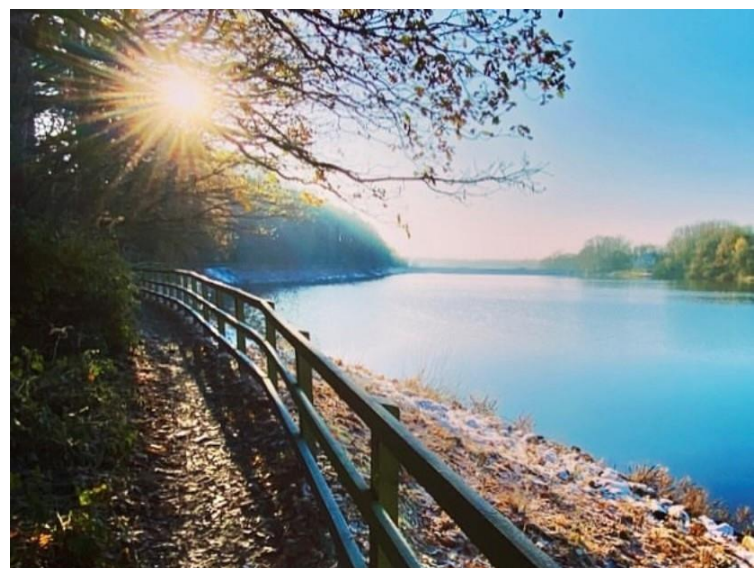
Green Recovery

We applied our assurance framework to the Green Recovery submission which we made in January 2021. This small programme of work is aimed at accelerating AMP8 projects to deliver in AMP7 or promoting innovative environmental projects aimed at helping the economy recovery after the COVID-19 pandemic.

Additional regulatory reporting and publications

In addition to the information that we publish or provide to Ofwat, we also provide information to other regulators and stakeholders, such as the Environment Agency, Drinking Water Inspectorate and Consumer Council for Water. This information is also subject to our risk-based assurance and governance processes.

Much of this information is subsequently published on the websites of the regulators themselves or used on the websites of industry forums where it can provide useful comparative information between companies. A key site which contains performance data from companies across England and Wales is the Discover Water website: discoverwater.co.uk



2.1 Coverage of the assurance plan

Price Review 2024 (PR24)

In October 2023 we published and submitted our detailed business plan for the April 2025–March 2030 period. Details of the assurance and publications associated with this submission were agreed with the U UW board and aligned to stakeholder requirements. Further details about the specific assurance for PR24 can be found in the ‘assurance plans for targeted areas’ in section 4.12 of this document. More details about our PR24 business plan can be found on the microsite pr24.unitedutilities.com

Strategic programmes

We have a number of strategic programmes which require assurance, including HARP (Haweswater Aqueduct Resilience Programme), North West Transfer (NWT) and Water Resources West. Details of the assurance and publications associated with these submissions will be agreed internally and where relevant with the U UW board. Further details about the specific assurance for these programmes can be found in the ‘assurance plans for targeted areas’ section of this document (HARP is covered in section 4.7 and North West Transfer in section 4.8).

Reconciliation models and applications for in-period determinations

Ofwat has set a series of incentives to encourage cost efficiency and the delivery of outcomes that customers want. The reconciliation mechanisms ensure that risks are appropriately allocated between customers and companies. The models allow adjustments to revenues. We include the information needed to support an in-period determination within our main APR.

We will apply our assurance approach to this. We know that our customers and stakeholders will be interested in this approach. Further details of the specific assurance for reconciliation models and in-period determinations are set out in section 4.11.



2.1 Coverage of the assurance plan

Outline of our AMP7 assurance framework

We strive to evolve and improve our approach to assurance in order to provide confidence to all customers and stakeholders that we will continue to deliver the services they want in both an efficient and affordable manner and report on our performance. This section sets out the assurance activities that we have in place to provide reliable, accurate and complete data, alongside the wider assurance activities that we have undertaken or initiated, in order to achieve those goals. The six main assurance areas are summarised below.

Measurement and data capture

The data required to report on the delivery of our performance commitments and other commitments has been developed to be a subset of our routine and often long-standing operational and management information that is directly used to support and direct key business activities. We have also established a centralised reporting function, which has accountability for both assuring the quality of the data and for providing a central source of management information which can be used by many areas of the business.

Risk-based assurance

We have adopted a structured risk assessment process to underpin the governance and assurance processes supporting our regulatory reporting. The overall combined risk rating is used to help to determine the level of governance and assurance that is applied to the reported information.

- As the level of risk increases, the governance and assurance applied to the reporting of this data also increases and makes sure that key risks are escalated up to board level where appropriate. This ensures that the management, control and reporting of any risks and resulting actions identified through the process are proportionate to the level of risk.

Audit and assurance of our regulatory reporting

We have adopted a well-established 'three lines of assurance' framework. The three lines of assurance are:

- **First line**

Management has accountability for developing and maintaining sound processes, systems and controls in the normal course of its operations.

- **Second line**

The Regulation and Compliance or Finance teams, where applicable, have accountability for providing the framework and governance for our regulatory reporting. To further enhance our second line of assurance, we have recently introduced new second line assurance activities as part of the Regulation and Compliance team. This will increase further the independence of the assessment of processes and procedures undertaken in operational areas and provide an additional focus on those areas judged to be at higher risk. Our Corporate Audit team undertakes rolling and cyclic audit activity and targeted reviews of key submissions.

- **Third line**

Independent audit and assurance activities are undertaken by specialist external auditors.

Governance and accountability

We are committed to the very highest standards of corporate governance with defined accountabilities from the UUW board level cascaded into our operational governance and review processes. We have met the objectives and adopt the guiding provisions of the Ofwat Board Leadership, Transparency and Governance Framework. In 2023 we established a new board Compliance Committee to ensure the board had an even greater opportunity to provide early and in-depth scrutiny of regulatory submissions and to help ensure the accuracy of information presented to regulators and customers. The committee is made up of three directors, two of whom are non-executive directors.

Additional communications and publications

We are a purpose-led company, driven by what matters to customers and other stakeholders. As well as publishing the minimum information requirements set out by Ofwat within the Annual Performance Report, we are committed to providing regular and transparent reporting of our performance and using a broad range of channels to communicate with our customers.

Independent challenge and review

The YourVoice panel was established as the independent challenge group representing United Utilities' customers and stakeholders across the North West. A key part of the role of YourVoice is to both monitor and challenge us on the delivery of our business plan, to review and assure our reporting and to scrutinise our customer engagement on the development of our future business plans.

2.2 Assurance plan for the 2023/24 Annual Performance Report

The assurance and disclosures required to support a significant proportion of the data within the Annual Performance Report are set out in the Regulatory Accounting Guidelines (RAGs) published by Ofwat. In particular, RAG 3.14 provides guidelines for the format and disclosures for the APR. The figure below illustrates how the three lines of assurance will be applied to the APR.

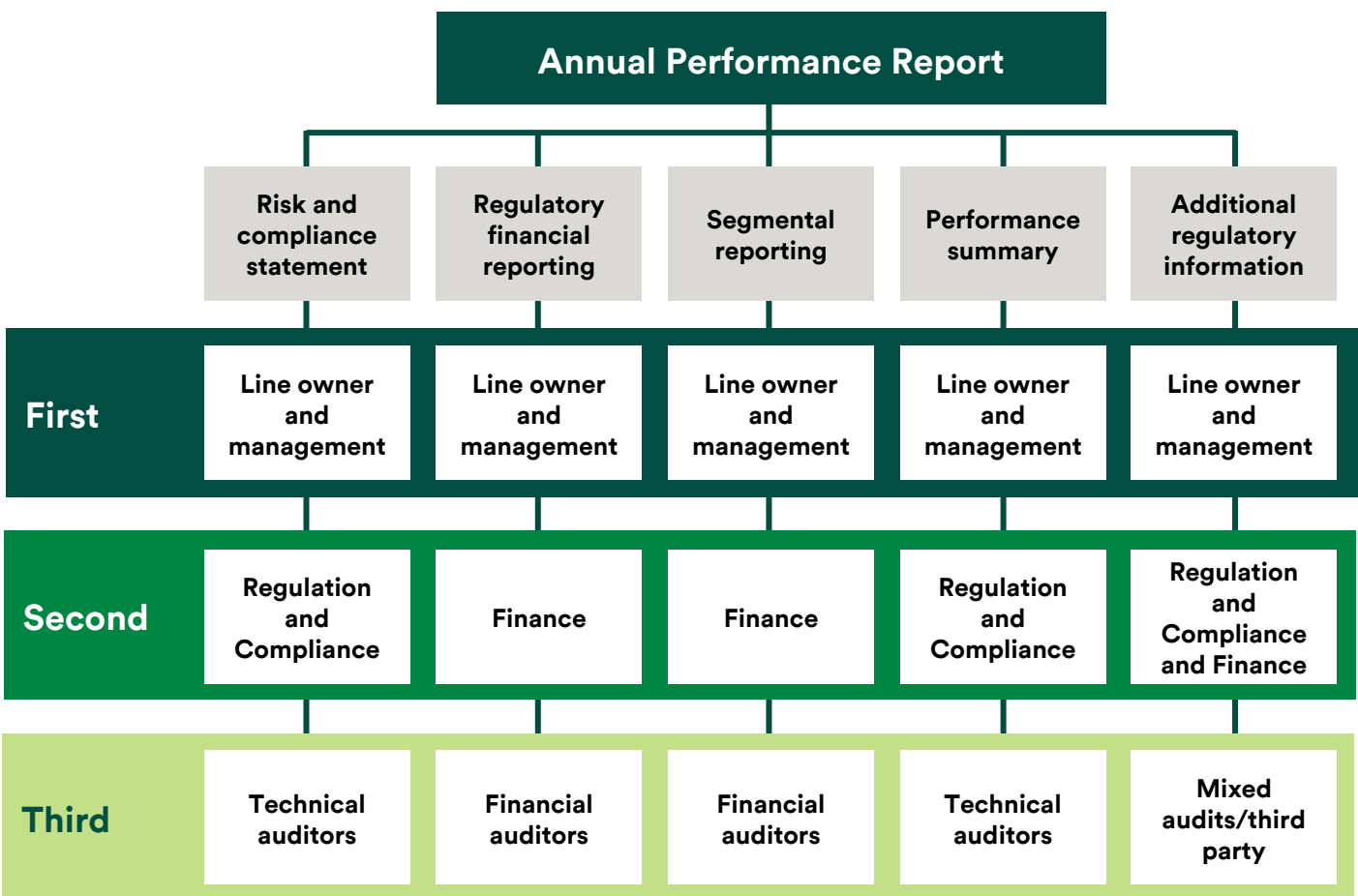
In addition to these requirements, all the data in the report will – as a minimum – be reviewed and signed off by the line owner and responsible manager and subject to internal independent expert peer review of supporting information and audit trails.

In year two we developed and introduced an electronic sign off process for APR data. We will continue to use this new process and act upon the feedback we have received to drive further improvements.

The areas of our regulatory reporting which are at higher inherent risk or are of particular significance for customers (our targeted areas) are set out in section 3 of this plan.

Details of the additional assurance activities that are planned to manage these targeted areas are set out in section 4 of this plan.

The three lines of assurance framework applied to the APR structure



Note – Corporate Audit provides assurance to the board (and ultimately the Audit Committee) on the governance and key controls on the non-financial regulatory reporting data and commentaries within the APR.

3

Targeted areas



3 Targeted areas

Objective of the review of targeted areas

The objective of the risk assessment process that we have applied to our regulatory reporting is to:

- identify risks to the accuracy and reliability of our reported data; and
- identify areas where we may not be effectively demonstrating that we are listening to customers and delivering the services that they want.

Process for identifying targeted areas

We have identified risks to our regulatory reporting and identified targeted areas in four main ways:

- **Previous reporting issues**
These areas have been identified through post submission reviews or feedback on our submissions. They are included as targeted areas to provide assurance that we are learning from and have addressed these issues.
- **Inherent data accuracy risks**
These risks have been identified through our internal structured risk assessment process, which is summarised in our regulatory reporting assurance framework document. This process has reviewed each element of regulatory reporting and highlighted those areas which are at greater inherent risk. The risks which have been identified through the risk assessment are mainly as a result of new or changed external reporting requirements or due to recent internal changes in systems, processes, accountabilities or business planning. We also consider the findings of regulatory investigations and commentary that affects other companies and consider what the impact might be for our reporting or what we can learn.
- **High priority areas for customers or the environment**
These areas of our performance and reporting have been targeted to provide assurance that we are listening effectively to customers and reporting transparently on the information that they consider to be important. We also consider any areas that have a high environmental priority. Customer or other stakeholder research and feedback has helped to identify the specific areas to focus on.

- **Delivery and performance**

These areas have been targeted to provide assurance that we are listening to customers and delivering services they want and can afford. The areas have been identified through comparison of actual and target performance levels, with areas being targeted where performance is not expected to meet target.



3 Targeted areas

The table below sets out the targeted areas and the nature of the risk that has generated the targeted status. Each of these risk areas is discussed within section 4, which outlines:

- the reason for the targeted status;
- the specific activities that will be undertaken to manage or mitigate the identified risk; and
- the additional assurance that will be provided to support the reporting.

Areas where targeted assurance is required in our 2023/24 reporting

Targeted area	Status	Previous issues	Inherent data accuracy	High priority	Delivery and performance
Performance commitments and outcome delivery incentives	Continued		✓	✓	✓
Water quality	Continued			✓	✓
Charges and tariffs scheme	Continued		✓	✓	
System implementation (formerly Integrated Network Solution)	Continued		✓	✓	
Market support	Continued			✓	
Permit compliance	Continued		✓	✓	
Haweswater Aqueduct Resilience Programme	Continued		✓	✓	
Water transfer programme	Continued		✓	✓	
Drainage and wastewater management plans	Continued		✓	✓	✓
Internal sewer flooding	Continued			✓	✓
Reconciliation models and applications for in-period determinations	Continued		✓	✓	✓
PR24	Continued		✓	✓	✓
Storm overflows	New		✓	✓	

We have reviewed the risks identified in last year's assurance plan and have opened a new targeted area around the reporting of our storm overflow performance. We know that this is an area which is important to customers and stakeholders, and we want to continue to provide open and transparent information.

4

Assurance plans for the targeted areas



4.1 Performance commitments and outcome delivery incentives

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	✓

Reason for targeted status

Performance against our AMP7 performance commitments and associated outcome delivery incentives (ODIs) is a high priority area for customers and other stakeholders.

Performance levels directly affect the level of service provided to customers and the impact of our operations on the environment. Many of the measures also have financial incentives for outperforming or underperforming targets which will impact upon customer bills.

We began AMP7 with 46 performance commitments to report our operational and financial performance on. Of these performance commitments 15 are common (or industry standard) and allow customers and stakeholders to directly compare our performance against the other water companies. The remaining 31 are bespoke to U UW and will deliver the benefits that customers have told us are the most important to them. In year four of AMP7 we agreed a further performance commitment in relation to the Pre-procurement Incentive for the Haweswater Aqueduct Resilience Programme. This brings the total number of performance commitments to 47.

Targets throughout the period are stretching and our performance against a number of the measures can be affected by external factors such as the weather or by one-off events, which can occur in any individual year. This means that in an average year we are likely to meet our performance targets for some of the measures and to outperform some measures and underperform against others.

Ongoing or planned activity to mitigate the identified risks

- Customer summary report – to improve transparency in this area we publish a short customer summary document to support our published APR. These summary documents have been well received. We will continue to work with YourVoice to further enhance the format and coverage of this report.
- Detail within the APR – in our APR we provide commentary to explain performance to date. Where we have underperformed we will provide details of the plans we have in place to improve performance going forward.
- We continue to develop our use of automation for reporting performance metrics. By delivering our data quality plan we will provide data quality measurement and assurance for some of our performance commitments, working with data stewards to identify data quality rules and establish ongoing improvements. Automation of reporting will reduce manual effort and potential errors whilst increasing the speed and frequency of access to this data. The investment made in key systems is also supporting the improved accuracy in capture and recording of corporate data, further supporting automation.
- Internal checks and controls – performance commitment data is incorporated into our internal business scorecards and our internal regulatory reporting process including board reporting. Key data and progress against our performance commitments is reviewed at the Executive Performance Meeting monthly. This information is then subject to our assurance approach and published within our main APR at the end of each report year.
- In March 2024 we commissioned a targeted audit on the supply demand balance index (SDBI) which forms part of our leakage calculation was conducted by Jacobs.
- Supporting information – we have published a suite of definition documents on our external website at: unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/business-plan/amp7-performance-commitments-and-outcome-delivery-incentives---definition-document.pdf
These documents provide additional detail on the purpose, nature and calculation process that is used to generate the reported performance levels and where relevant, incentive valuations.

4.1 Performance commitments and outcome delivery incentives

Additional governance or assurance

- For each performance commitment reported any resulting financial incentive is reviewed and signed off by an executive sponsor.
- The executive sponsors review performance against our performance commitments regularly through director review meetings and performance boards, which are typically held monthly. Performance reviews and forecasts are carried out each month to track progress against delivery of our performance commitments.
- Performance against each commitment is reported at UUW board level throughout the year.
- We have regular liaison with relevant external regulators and groups (CCW, DWI and EA) who also publish annual company performance reports.
- Regular challenge sessions are being held to ensure compliance with methodologies for water and wastewater network performance commitments.
- We regularly review performance against our performance commitments with the independent challenge group, YourVoice, who challenge the measures we are taking to manage performance levels or manage the customer impacts of any issues.
- The detailed internal methodologies and calculation tools have been subject to third party review by our independent technical auditor, Jacobs.
- Performance commitments that have been identified as requiring targeted assurance are subject to a detailed audit of the data collection, incentive calculations and reporting process by our independent technical auditor, Jacobs, to provide assurance that the data can be reported reliably, accurately and completely and in accordance with reporting requirements. This includes sample checks to test process, assumptions, methodology, implementation, governance and results.
- We will include the calculations for any complex performance commitments as an appendix to our APR.

4.2 Water quality

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
		✓	✓

Reason for targeted status

Water quality performance is an area of particular importance to customers and stakeholders. We have two water quality performance commitments, the Compliance Risk Index (CRI) and customer contacts for taste, smell and appearance. Both of these measures are defined by the Drinking Water Inspectorate. We have seen significant improvement in customer contacts for taste, smell and appearance as a result of the enhanced approach to mains flushing and conditioning. However, further improvements in performance are required to meet the challenging performance targets during the remainder of AMP7.

We look to respond and remediate issues before there is a detrimental impact on the service provided to customers reducing the risk of potential infringements and discolouration from the network. Whilst this has delivered significant reduction in the number of water quality contacts and infringements received, we still receive a relatively high number of contacts associated with discolouration from the network and associated sample failures which adversely impact the two performance commitments. We have completed significant conditioning and flushing activities across our network and are confident this approach will continue to reduce the number of customer contacts received.

Ongoing or planned activity to mitigate the identified risks

We are continuing to implement our Water Quality First Programme to meet our challenging performance commitments. This programme is having a measurable benefit and we have seen a significant reduction in the number of customer contacts for taste, smell and appearance of drinking water. In recognition of the improvements delivered, the DWI has confirmed we are no longer in transformation with regards to our drinking water quality performance (DWI Chief Inspector Report Quarter 1 2023).

The programme is focused on a number of key areas:

- We ensure our water teams have the right technical knowledge to effectively fulfil their role. Consistent and high standards across all teams is achieved by competency reviews, assessment of existing knowledge and targeted training.
- A comprehensive 'people' plan, raising awareness of the importance of water quality across the organisation and how everyone can play a role in securing water quality, including our annual company-wide 'Water Quality Week' showcasing activities and initiatives.
- Completion of water quality awareness training by over 5,000 employees and key supply chain partners, alongside improvements in training and competence through knowledge reviews and back to basics sessions.
- An increased focus on the source to tap strategy to reduce the risk of discolouration with acceleration of the cleaning of over 15,000km of mains.
- Risk assessments for planned and unplanned work to identify potential water quality problems before they occur.
- Delivery of our start up to waste programme at the majority of our water treatment works and the roll out of robust flood testing at over 99% of our service reservoirs.

4.2 Water quality

Ongoing or planned activity to mitigate the identified risks

- We provide help and information to customers through self-serve channels like 'Report a Problem' and better 'how to' and guided support on the website. We have revised terminology on the website to make this information more accessible. We continue to proactively message customers where there's a risk they could experience discoloured water and where we are carrying out planned activities, such as mains cleaning and flushing. This helps to ensure they have the right information and support.
- In addition to the planned activity to reduce discolouration contacts we continue to embed our taste and odour management plans at all high-risk water treatment works to reduce the potential for taste and odour contacts. 2 Methylisoborneal (MIB) and geosmin are naturally occurring substances produced by algae found in lakes, rivers, streams and reservoirs that can sometimes cause an earthy or musty taste or smell.
- Roll out of our 'operational excellence' sessions with a module on Root Cause Failure Analysis to ensure root cause is identified and lessons are learned.
- Linking into our innovation lab to solve challenges, using digital technology to enhance water quality data visibility and analytics.

Additional governance or assurance

- We monitor and track our performance throughout the year. The DWI also assesses our performance throughout the year and confirm the CRI score after year end.
- Updates are provided to the board and the DWI on a monthly basis, providing progress against improvement plan delivery and achievement of the Water Quality First programme objectives. Quarterly updates with senior management at DWI, but six weekly with the Northern team including the principal inspector and our liaison inspector.
- Discolouration performance has been added to the United Utilities scorecard to provide an extra focus on this specific area.
- The reported data is reviewed and signed off by the appropriate executive director.
- A detailed audit of the data collection and reporting process by our independent technical auditor, Jacobs. This provides assurance that data reported is reliable, accurate and complete and in accordance with reporting requirements.
- The reporting of our performance in this area is reviewed with the independent challenge group, YourVoice.

4.3 Charges and tariff schemes

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	

Reason for targeted status

We have been developing, assuring and publishing annual charges schemes for a number of years. However, charging guidance has undergone significant change in recent years and continues to be updated regularly.

Previous years' charges schemes have been developed in accordance with the existing guidance. However, this is still a high priority area and we have retained the targeted status to provide visibility of and confidence in the assurance that we will be applying to the development and publication of our charges schemes.

Ongoing or planned activity to mitigate the identified risks

We will retain the existing process for developing the charges and charges schemes. The structure of our charges governance groups is in line with the requirements of the competitive markets.

We will continue to consult with stakeholders in the development of charges and to play an active role in the working groups.

Following feedback and review of our existing charges and tariffs schemes, to further improve transparency in the 2024/25 final charges and charges schemes we have:

- Continued to improve the look and feel of the charges schemes to improve customers' and retailers' experience and ease of use including maintenance of the crystal mark accreditation for the household charges scheme.
- Combined the wholesale water and wastewater charges into a single wholesale charges scheme in line with industry-wide best practice recommendations.
- Continued to share our approach to new connections and developer services charging and the changes in the industry through regular stakeholder newsletters, technical forums and webinars.

4.3 Charges and tariff schemes

Additional governance or assurance

- The charges schemes are subject to a series of reviews by members of the company's legal team for compliance with the relevant legislation.
- Management undertakes a review of each charging rule to demonstrate how each charging rule has been complied with, and this document will be published on the United Utilities website.
- Corporate Audit reviews sections 3 of the assurance statements for wholesale and household and section 2 for new connections and presents its findings to the U UW board.
- The company publishes and provides to Ofwat assurance statements from the U UW board, no later than the time of publication of the charges schemes, confirming that:
 - U UW has complied with its legal obligations relating to the charges set out in the charges schemes;
 - The board has assessed the effects of the new charges on retailers and on customers' bills for a range of different customer types and approves the impact assessments and handling strategies developed in instances where the bill increases for particular customer types exceed 5%;
 - U UW has appropriate systems and processes in place to make sure that the information contained in the charge schemes, and additional information is accurate;
 - The company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its charges schemes; and
 - Where applicable, where final wholesale charges are significantly different from the indicative wholesale charges published for the same period, that the board has considered the reasons why those changes occurred and has issued a statement explaining why those changes were not anticipated and/or mitigated.

Further details on each of our charges schemes can be found in the charges scheme assurance statements published on our website.

Household charges scheme assurance statement

unitedutilities.com/globalassets/documents/pdf/assurance-statement---household-charges-scheme-2024-25.pdf

Wholesale charges scheme assurance statement

unitedutilities.com/globalassets/documents/wholesale-charges-documents/202425-wholesale-documents/assurance-statement---wholesale-charges-and-charges-scheme-2024-25.pdf

New connections and developer services scheme assurance statement

unitedutilities.com/globalassets/documents/wholesale-charges-documents/202425-wholesale-documents/assurance-statement---new-connections-and-developer-services-2024-25.pdf

4.4 System implementation

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	

Reason for targeted status

As we continue to evolve and improve as a business, we are constantly looking to identify improvements in systems. In 2019 we introduced our Integrated Network Solution (INS) to replace a number of existing water and wastewater network systems. This is used by both UUW staff and partner staff, enabling a seamless transition of jobs and providing an enhanced reporting capability. Year one of AMP7 was the first full year of reporting wholly from INS.

In year two we expanded the scope of the system by creating The Integrated Customer Solution (ICS). This replaced our email, letter and social media customer contact system and our customer compensation system and incorporated the capability into INS, creating a new single solution called ICS. Transition took place in November 2021 and reporting completed for the latter part of year two. The previously delayed transition of our Developer Services activity to ICS was completed early in year three. The transition replaces our reliance on SAP for the management of customer cases and work promotion to our contractor. ICS allows us to simplify the Developer Services systems, creating a holistic view of the customer negating the need for many manual unsupported and inefficient labour-intensive processes and allowing for greater management controls. The system is currently used by over 200 users.

Ongoing or planned activity to mitigate the identified risks

With all new systems we create a dedicated programme team to develop the new system and manage the transition with progress reported through to a programme board. Alongside this, post go-live working groups ensure the continuity of reporting in addition to identifying any system defects. New systems then move into a business-as-usual phase with processes in place to raise any issues or defects that may be identified.

The key elements of activity relating to ICS are summarised below:

- A dedicated programme team was established and has been managing this transition with a clear governance programme to manage delivery, mitigate risks and provide assurance that was overseen by executive members.
- The requirements and design of the new systems and processes were reviewed as part of the initial design phase of the programme and will continue to be reviewed post go-live.
- Cut-over plans were established to move each activity from one system to another.
- Detailed test strategies were implemented prior to cut-over. These test functional and non-functional requirements such as performance and security.
- An independent audit from PWC was undertaken to test the robustness of solution and go live preparation.
- A clear go/no go process was utilised with the decision made by the project steering group.
- In-depth checks and controls were implemented prior to and following cut-over. This includes reporting of key measures to identify any potential issues quickly.
- Training needs, training delivery, communication plans and readiness activities have been put in place prior to each go live and will continue to be monitored.

4.4 System implementation

Additional governance or assurance

- All the information within the system that will be used for our AMP7 regulatory reporting was identified and included with the list of programme deliverables, and our regulatory reporting data will continue to be risk assessed and assured appropriately.
- Key reporting experts in the business have reviewed the design of the solutions to ensure that regulatory requirements and obligations were addressed.
- We have reviewed and identified improvements to our systems and reporting methods post go-live as part of a continuous improvement approach and we continue to make additional system enhancements to further bolster our regulatory reporting requirements and streamline the process.
- Programme deliverables were signed off by the both the project steering group delivery team and the business team responsible for undertaking the relevant activity.
- Sign off of reported data will be undertaken by the line owner, responsible, accountable and executive managers as appropriate.
- A detailed audit of the data collection and reporting process will be undertaken by the independent technical auditor, Jacobs, to provide assurance that reported data is reliable, accurate and complete and in accordance with reporting requirements. This will include sample checks to test process, assumptions, methodology, implementation, governance and results.

4.5 Market support

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
		✓	

Reason for targeted status

In 2019, Ofwat's Chief Executive published a letter sent to the Chief Executives of English and Welsh water companies, stating that Ofwat could "see numerous, persistent examples of water companies failing to support the development of effective markets". This was followed up in September 2019 with an open letter to Chief Executives from Ofwat's Senior Director, Markets and Enforcement, which expanded on these concerns and requested information from water companies in relation to the business retail market; the market for developer services; and support for the development of other new markets. In September 2021, Ofwat again wrote to all companies in regard to ongoing support for effective markets. This letter reaffirms the importance of supporting competitive markets and Ofwat's commitment to monitor incumbent company support for effective markets.

These letters set companies the urgent task of ensuring they provide sufficient support and engagement to markets. Support for these markets is providing the opportunity to deliver better outcomes for both current and future customers in the form of lower prices, better quality and more tailored services and/or improved choice. We provided a response to Ofwat in October 2019 detailing the steps we are taking to support both the development and operation of the competitive markets identified. In August 2020 Ofwat published its findings identifying both good and bad practice. United Utilities was identified as one of the best performers in terms of supporting these markets. However, there are many areas where all companies can learn from the publication.

Ongoing or planned activity to mitigate the identified risks

United Utilities received a relatively strong assessment from Ofwat of its activities in support of the development of effective markets. The Ofwat findings letter to UuW in August 2020 stated: "All companies must raise their game to improve their support for markets, however some have further to improve than others. Overall, we consider United Utilities to be an industry leader in many aspects of its support for markets". The board was provided with the company response to these letters and was also notified of the outcome and necessary steps stemming from this review.

Ofwat has identified that it will be undertaking a market study at some point in the next AMP looking at incumbent's support for effective markets of the developer services markets. We are taking steps to review and report on our preparedness for responding to future market study, and other enquiries into incumbent support for effective markets in all markets introduced into incumbent activity.

We continue to support the non-household retail market by taking action to address data quality issues, provide alternative credit and payment terms and help focus change on the customer experience. Going forward we are contributing to various initiatives facilitated by the Retailer Wholesaler Group (RWG). We support the reform of the Market Performance Framework (MPF) and the development of BR-MeX (business and retail) to improve incentivisation and focus on the impact wholesalers have on end customers.

We are supporting the developer services market by contributing to recent market studies and continuing to improve our service levels to developers, SLPs and NAVs. This has included aligning our engagement with NAVs to that of SLPs and developers, which Ofwat described as excellent. Developer services markets are highly active across the North West. We are looking to understand any challenges that reduce the effectiveness of these markets and what action we can take to support the development of these markets.

4.5 Market support

Additional governance or assurance

- Our continued competition law compliance programme aims to ensure ongoing demonstrable compliance with our competition obligations. We have reviewed the competition compliance policy, training and guidance updating as required based on latest information giving consideration to events both internal and external to United Utilities.
- We can support collaboration where appropriate and not restrict efforts unnecessarily.
- A regular risk review process ensures that we consider and understand the current and future risk landscapes and appropriate mitigating actions. This includes internal governance meetings, such as the Competition Act Compliance Group, which support the identification of nascent risks.

•

4.6 Permit compliance

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	

Reason for targeted status

In October 2019, Ofwat concluded that Southern Water had breached its statutory duties and licence obligations, by failing to operate a number of wastewater treatments works properly. This included not making the necessary investment in a timely manner, leading to equipment breakdowns and spills of wastewater into the environment. Ofwat also found that Southern Water had deliberately manipulated its wastewater sampling process, which resulted in misreporting information about the performance of a number of sewage treatment sites.

As a result of these failings, Ofwat imposed an initial £3 million penalty, together with £91.2 million in associated under-performance penalties. Southern Water also agreed to pay £31.7 million to customers as a bill rebate.

In response to these findings, Jacobs, our independent technical auditor, was commissioned to undertake a detailed review in order to determine whether any of the compliance issues raised in the Southern Water case are prevalent at United Utilities. They also looked for any opportunities to improve United Utilities' activities, given the lessons that can be learnt.

The Jacobs review covered the following areas in respect of both water and wastewater:

- Environment Agency permit compliance regime;
- Artificial no flow event; and
- Sampling regime.

Ongoing or planned activity to mitigate the identified risks

- **Sampling** – we have developed independent operator self-monitoring (OSM) sampling regimes that are reviewed by the EA and DWI. Our Urban Wastewater (UWW) samples are no longer taken by operational teams, and this has now moved to an independent sampling regime.
- **Reporting** – performance information reported to quality regulators is subject to detailed first and second line assurance. The information that is also reported to Ofwat in support of our performance commitments is also subject to independent third line assurance.
- **Investment** – we will continue to invest in improving operational resilience throughout AMP7.
- **Recommendations** – we have understood and implemented the suggested actions from the Jacobs' review.
- **Follow-up** – a secondary Jacobs' review was carried out in June 2022 to demonstrate the progress made in the implementation of the actions identified by Jacobs in 2019. The conclusion of this audit was that the controls we have in place are satisfactory and we were able to demonstrate progress in all areas identified in 2019. The improvements made were found by Jacobs to further strengthen the wastewater compliance regime.
- In late November 2021 Ofwat and the Environment Agency launched industry wide investigations into company compliance with discharge permits granted by the Environment Agency. We are continuing to cooperate with these investigations, which are ongoing. As the investigations continue and, ultimately, complete we will continue to consider and review any emerging findings or conclusions and understand what implications, if any, there may be for our future assurance and reporting approach.

4.6 Permit compliance

Additional governance or assurance

- The November 2019 Jacobs report aimed to examine whether United Utilities has sufficient and effective governance, processes, controls and systems to identify and mitigate the types of risks highlighted by the Southern Water investigation.
- The report also looked to recommend actions to strengthen process controls.
- For the water compliance regime, the report concluded that there were no issues identified, stating that there is clear organisational separation and accountability for operations, regulatory sampling, sample analysis and board/regulatory reporting, which are effective in ensuring that performance of drinking water assets is being fully and correctly disclosed.
- For the wastewater regime, the report concluded that United Utilities has comprehensive processes in place to manage the compliance regime, to prevent, detect and correct any potential compliance issues and to escalate through the business and to the Environment Agency.
- In terms of opportunities for improvement, Jacobs suggested the company would benefit from small improvements to the sampling regime, post-incident technical reviews and the process to reclassify erroneous sample results for wastewater.
- These suggested improvements were then addressed through a series of changes in practices, associated control checks and extended audits. A secondary Jacobs audit was carried out in June 2022 to assess the effectiveness of implementing these improvements.
- We also undertake reviews of permit compliance processes and procedures on a targeted basis, based on data analysis and any reported concerns. Where necessary, we take steps to ensure that permit compliance processes are robust and in line with guidance and remedy issues where they arise.

4.7 Haweswater Aqueduct Resilience Programme (HARP)

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	

Reason for targeted status

Construction of the Haweswater Aqueduct (HA) was completed in 1955. The aqueduct transports water from the Haweswater reservoir in the Lake District to customers in the Manchester and Pennines regions. Following inspections to assess the asset condition in 2013 and 2016, United Utilities is planning to implement a major scheme to ensure that resilient water supplies can continue to be provided to customers who are currently supplied from the HA. As part of the PR19 process, we proposed that this scheme should be developed through the direct procurement for customers (DPC) approach.

The DPC mode of procurement is new for the water industry and there are a number of potential internal and external risks that need to be managed to ensure that the benefits of this approach can be demonstrated, to allow the DPC contract to be established and the scheme to be delivered.

United Utilities is working closely with Ofwat on developing this project through the DPC process. Our progress is being monitored through five key DPC control points, set out in Ofwat's briefing note on the Procurement Process for 2020–25 (Appendix 5, dated July 2020) and which broadly align to HM Treasury's five-case model. These control points allow Ofwat to assess whether the programme continues to align to the DPC principles, and the approach best delivers value for money for customers. The first four control points have been achieved and only the final one, control point F (to be submitted at the end of the procurement process) remains. Control Point F involves the submission of the Final Business Case and requires Ofwat's consent that the competitively appointed provider (CAP) be appointed.

The scheme is high priority, as it will address the longer-term risks to the reliability and quality of water supplies to significant populations within the region.

Ongoing or planned activity to mitigate the identified risks

- A dedicated multifunctional programme team is in place to manage all aspects of the programme and ensure that any potential risks to delivery are identified and effectively managed. We are now in the Invitation to Negotiate (ITN) phase of the procurement process, with three down-selected bidders. A detailed plan with key dependencies is in place to ensure that the procurement process is scheduled and resourced appropriately.
- We listened to the market through a series of market engagement sessions which gave us valuable insight into the market perceptions of DPC. This provided us with an opportunity to explain our thinking as to how this approach will work and take on board concerns and feedback from the market.
- Ongoing negotiations with bidders to refine the contract terms to ensure that the project is both biddable and bankable from an investor perspective and offers best value to customers.
- Ongoing constructive dialogue with Ofwat continues to ensure that key deliverables for the final control point submissions are agreed and delivered in line with expectations.

4.7 Haweswater Aqueduct Resilience Programme (HARP)

Additional governance or assurance

- Accountability for development of this scheme has been assigned to UUW's Transformation and Strategic Programmes Director, who reports progress directly to the monthly Executive Performance Meeting. The Executive Performance Meeting is chaired by the Chief Executive, with regular updates, including key risks and decisions, being brought to the UUW board at key milestones in the procurement process.
- The governance arrangements for managing the project reflect the current phase of procurement. Senior stakeholders are kept informed of progress via the HARP Programme Board.
- The HARP Commercial Steering Group, attended by the Regulation and Compliance Director, the Commercial Director, General Counsel and Company Secretary, the Treasurer and UUW's former CEO, acting in an advisory capacity, is in place to deal with any commercial and regulatory challenges through the tender process which may require board and/or Ofwat approval. An independent assurance specialist, Deloitte LLP, has been appointed to oversee the assurance framework for this project.
- Alongside this, the programme utilises our established assurance and governance framework following a risk-based approach using a three lines of assurance model. Where required, external specialist assurance will be put in place for those higher-risk areas.
- A HARP Oversight Committee has also been established to provide confidence to the UUW board that the HARP Programme team is managing the procurement of HARP to ensure that the process for and selection of the preferred bidder is in line with the procurement process and documentation set out in the Contract Notice.

4.8 Water transfer programme

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	

Reason for targeted status

Ofwat is supporting the development of a number of projects designed to provide greater long-term resilience to water supplies for the country. At PR19 funding was provided to 18 named projects known as Strategic Resource Options (SROs) to progress designs through the AMP7 period and allow cost beneficial schemes to be constructed during AMP8 or subsequent periods.

United Utilities is involved in two SROs, North West Transfer (NWT) and Severn Thames Transfer (STT), which would allow water to be transferred into the River Severn catchment area and either abstracted from the River Severn or transferred onwards to the River Thames, with this water then able to be abstracted by companies in the South East regions. The NWT project aims to enable the release of water from Vyrnwy reservoir in North Wales, which is currently a major water source feeding our strategic supply zone. Work is therefore required to ensure that additional sources (under the North West Transfer SRO) can be utilised to avoid any increase in risk to supplies in the United Utilities region as a consequence of this transfer.

Both the NWT and STT projects consist of large and complex infrastructure, including the integration of new and existing assets. As a result, there are inherent risks associated with projects of this nature that need to be appropriately managed. In addition, there are a number of risks associated with the transfer of water from the North West. These include:

- the risk of impacts to water resource resilience to customers in the North West;
- the risk to customer acceptability from changing water sources;
- the risk of impact to the environment as a result of construction and operation of the transfers; and
- the risk of unfairly impacting North West customer bills.

Ongoing or planned activity to mitigate the identified risks

- The North West Transfer (NWT) scheme consists of a number of reliable sources that provide the flexibility to satisfy future transfers up to 180 MI/d in both the midlands and South East from AMP9 onwards.
- The SRO schemes fall within the remit of the Regulators' Alliance for Progressing Infrastructure Development (RAPID). We have been working with RAPID to develop the appropriate programme timescales, information requirements, gateway regimes and alignment to other regulatory processes, including the water resources management plan (WRMP) and Regional Planning development cycle.
- We have successfully progressed the projects with good or satisfactory scores across the board from the regulators assessment of our Gate 2 submissions in November 2023. The output from the development of the two projects has fed into the regional water resources planning process. As a result of the latest round of regional planning, the STT project was not selected as part of the preferred plan but was included as a 'fall back' option in two alternative scenarios in the event that other prioritised options such as South East Strategic Reservoir Option (SESRO) are unable to proceed. In the short term, a transfer of 25 MI/d has been agreed in principle with Severn Trent for delivery by 2030. UUW's revised draft water resources management plan (WRMP) and the equivalent plans of the other affected companies all reflect this national picture.

4.8 Water transfer programme

Ongoing or planned activity to mitigate the identified risks

- We continue to develop the projects aiming for a Gate 3 submission in March 2025 for the elements required to meet the confirmed short term need of Severn Trent, while in parallel developing the full STT scheme as a proof of concept preparing for the scenario where it is needed in the longer term.
- Internally, we have established a dedicated multifunctional delivery team to ensure that the U UW specific elements of both projects and any potential risks to delivery are identified and effectively managed. We have also agreed a set of Water Trading Principles which outline the key measures that must be met for U UW to participate in water trading schemes:
 - **Drinking water quality** – U UW customers will receive drinking water that is fully compliant with all regulatory standards.
 - **Customer acceptability** – customers must continue to have confidence in their water supply and acceptance in terms of taste, odour, appearance (discolouration) and pressure.
 - **Resilience** – the transfer must not have a net detrimental impact – and should ideally improve – the resilience of the water resource and assets used to provide service to customers.
 - **Environmental** – the projects must not have a significant adverse effect on the environment, must be approved through regulatory oversight and must support, or at least not have a detrimental impact on the company's overall environmental performance.
 - **Customer bills** – the scheme should provide demonstrable value for money for customers in the North West, as reflected in customer bills and customers in the region must receive a fair proportion of the national benefits, which arise from the scheme.
- Detailed delivery plans with key dependencies have been developed to ensure that both the internal and intercompany work is scheduled and resourced appropriately.

Additional governance or assurance

- A number of intercompany working groups have been established as part of the STT project with representatives from each participating company. These include stakeholder, engineering and environmental working groups and an overall programme board and steering group.
- Within U UW, accountability for development of water transfers lies with the Director of Asset Management, who reports progress directly to the monthly executive meeting. The executive meeting is chaired by the Chief Executive, with key risks and decisions being highlighted to the U UW board as required.
- An independent assurance specialist will be appointed to develop a specific assurance framework for the next stages of the NWT project, following the same approach taken in previous project phases. This will ensure that any potential assurance issues are identified at a sufficiently early stage to allow them to be resolved in a way which does not compromise the delivery, or the quality of the work being developed which will be required to be submitted to Ofwat throughout the development of the scheme.
- A joint assurance framework has been agreed with the other partners on the STT project to assure RAPID and the company boards of the details and requirements within the programme. This framework is similar for both NWT and STT projects and will take a risk-based approach, assessing the programme deliverables and where required apply external specialist assurance to those complex or higher-risk areas.

4.9 Drainage and wastewater management plans (DWMP)

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	✓

Reason for targeted status

Drainage and wastewater management plans (DWMP) are designed to transparently document water companies' wastewater asset bases, provide a baseline view of the operational or performance issues affecting these assets, demonstrate how these assets and performance risks would change over time as a consequence of changes in demand and climate change, and to set out an optimised long-term plan to cost-effectively address these issues.

DWMPs should be developed at company-wide and local levels, with stakeholder and customer views being reflected in the nature and timing of the proposed investment – both U UW and partnership schemes – or other interventions included within the plan.

The DWMP is an iterative process, which will be undertaken on a cyclical basis every five years, setting out what may be required to deliver robust and resilient wastewater services over the next 25 years. This approach supports adaptive planning and will allow us to continuously review risks using the best available tools, methodologies and data.

The DWMP is embedded into our planning processes to ensure consistency and alignment with planning for both the short term and long term, and to adapt to changes in customer priorities and needs. This is a complex process, which will have significant impact upon future performance and expenditure levels and therefore directly impact upon customer bills.

This is the first time that we have produced a DWMP and it represents a step change in drainage and wastewater planning. The plan has been developed in two parts; draft publication in June 2022 and final publication in May 2023. The DWMP is available on our corporate website at:

unitedutilities.com/corporate/about-us/our-future-plans/Our-long-term-plans/dwmp-publication-may-2023

The DWMP has been used to inform our Business Plan proposal for Price Review 2024 (PR24) for the investment cycle 2025–30. The DWMP is a long-term view of risk and investment requirement – a planning tool, which supports decision-making in prioritising areas for investment.

U UW's PR24 proposal was submitted to regulators in October 2023. The DWMP will be reviewed alongside our PR24 proposal in addition to other regulatory submissions such as the Water Resource Management Plan (WRMP) and the Long-term Delivery Strategy (LTDS).

This first iteration of the DWMP was non-statutory, with the ambition for future iterations to be statutory outputs. U UW is currently working alongside other water companies and the regulators to develop the guidance for the next and indeed future iterations of DWMP.

4.9 Drainage and wastewater management plans (DWMP)

Ongoing or planned activity to mitigate the identified risks

Throughout the development of the DWMP, numerous activities were put in place to mitigate various risks such as establishing a planned programme of work and undertaking full third party assurance.

Following the publication of the draft DWMP in June 2022, we encouraged customer, stakeholder and regulator feedback through a 12 week consultation process. A Statement of Response was produced in order to review and respond to the feedback, and to signpost where relevant information could be found across the final suite of documents. The Statement of Response is available on our corporate website at: unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/dwmp-2023/sor_statement-of-response.pdf

Since publication in May 2023, the plan has been used to inform and align with PR24 development. The DWMP will be reviewed alongside other regulatory submissions in the coming months. The DWMP team will respond to any regulator queries that arise and to support the wider business where required.

Additionally, between November 2023 and February 2024, we worked alongside other water companies and the regulators (Consumer Council for Water (CCW), Environment Agency, Defra and Ofwat) to help inform what the next iteration of the DWMP (cycle 2) may look like over the course of six workshops. Current timescales suggest the cycle 2 guidance will be available in Autumn 2024, however in the meantime the DWMP team continue to work with others across the business shaping our approach to long term risk and investment planning.

Additional governance or assurance

Throughout the development of the DWMP, U UW adopted a tiered approach to governance to provide internal scrutiny on plan development, promote alignment with wider processes, and support the internal team in developing the plan.

- The data and analysis underpinning our plan has also been subject to rigorous third-party assurance;
- Confirmation that U UW has met all of the requirements set out in the Defra Guiding Principles;
- Undertaken by Jacobs at two stages across the development of U UW DWMP: Baseline Risk and Vulnerability Assessment (BRAVA) and Options Development;
- Undertaken by Deloitte across the development of the U UW DWMP programme to ensure consistency with the Water Industry National Environment Programme (WINEP) programme and assurance of the building blocks of the DWMP submission (optimised programme, wastewater treatment works and storm overflow programme);
- Undertaken by PWC across the DWMP data table submission requirements; and
- Final aggregate assurance undertaken by Turner and Townsend to review the combined assurance activities whether internal or external.
- The business governance and the audit process was used to feed into and support final endorsement by the U UW board. The Board Assurance Statement and a detailed summary of our approach to assurance and governance are both available on our corporate website:

unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/dwmp-2023/c002_uuw-board-assurance-statement.pdf

unitedutilities.com/globalassets/z_corporate-site/about-us-pdfs/dwmp-2023/ta1_assurance-and-governance.pdf

4.10 Internal sewer flooding

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
		✓	✓

Reason for targeted status

Improving performance on internal sewer flooding is a high priority for customers. United Utilities is consistently striving to improve our performance in this area and is actively exploring new ways to solve sewer flooding incidents before there is a customer impact.

The internal flooding measure has been identified for targeted status in AMP7, as we expect it to be very challenging to achieve our performance commitment. This is because the North West has a unique combination of factors that compound and interact to give a higher risk, compared to the industry average, for the key drainage service areas of sewer flooding and spills from combined sewer overflows. We have tested a range of factors with four significant drivers of drainage performance defined as:

- Urban rainfall and surface water runoff
- Proportion of combined sewers
- Local topography
- Food service establishment density

Individually these characteristics have an influence on the ability to drain, however the interaction of these factors in the North West is unique and gives rise to a higher risk of sewer flooding.

In AMP7, we are measuring all internal flooding incidents (existing and transferred assets), irrespective of cause, as a single measure. This measure is easy for customers to understand, and as a common industry measure it will require every company to update its practices and reporting to enable consistent and true comparison.

This measure includes incidents generated from both hydraulic flooding and flooding due to other causes and does not exclude incidents generated under severe weather conditions such as severe storms. As such, a substantial element of our performance is likely to be influenced by the prevalence or otherwise of severe rainfall including temporarily elevating the rate of flooding caused by operational causes.

Ongoing or planned activity to mitigate the identified risks

We have a multi-AMP commitment, aiming to improve performance through a range of innovative and effective mitigation activities.

To mitigate identified risks, we are currently:

- Investing £120m in Dynamic Network Management (DNM) over AMP7 and AMP8. This is an innovative monitoring and proactive response technology solution across 64 of our highest priority drainage areas. Our programme will identify when issues are beginning to form within the network and allow us to proactively seek resolutions, minimising the impact on the customer.
- Deploying a targeted programme of investment to reduce the risk of customer properties being subject to repeat hydraulic flooding, under our hydraulic flood risk resilience (HFFR) initiative.
- Continuing with our 'Stop the Block!' campaign and ongoing customer engagement.

4.10 Internal sewer flooding

Ongoing or planned activity to mitigate the identified risks

- Expanding our Food Service Establishments (FSE) engagement on the management of fats, oils and grease (FOG) in order to reduce their impact on the network.
- Delivering our serviceability programme to ensure the capacity of the network is maximised by removing material build-up.

In addition, we ensure that we:

- Send a UUW member of staff from our field team to attend each flooding event.
- Provide evidence on our corporate system (Salesforce INS) which demonstrates the cause of flooding, the responsibility of the flooding and the actions that we have taken in responding to the flooding.
- Aim for verification of incidents within two months. This timeframe can occasionally be exceeded when high volumes of incidents are recorded during a severe weather event.
- Require our Network Drainage Engineers to record detailed descriptions of the reasons for flooding to fully support the verification process.
- Task our Network Drainage Area Managers and Wastewater Network Technical team with undertaking regular audits.

We also:

- Escalate any issues or requirements for clarification to our dedicated flood review panel.
- Escalate any significant issues to our Wastewater Services Director and executive.
- Employ our internal Corporate Audit team to undertake an annual review of processes.

Additional governance or assurance

- Performance and any resulting financial incentive is reviewed and signed off by an executive sponsor. Executive sponsors review performance against our performance commitments regularly through director review meetings and performance boards, which are typically held on a monthly basis. Performance reviews and forecasts are carried out each month to track progress against delivery of our performance commitments.
- We regularly review performance against our performance commitments with the customer challenge group, YourVoice, which challenges the measures we are taking to manage performance levels or manage the customer impacts of any issues.
- A detailed audit of the data collection and reporting process by our independent technical auditor, Jacobs, to provide assurance that data reported is reliable, accurate and complete and in accordance with reporting requirements. This includes sample checks to test process, assumptions, methodology, implementation, governance and results.
- Clarification is sought from Jacobs throughout the reporting year for any difficult or unusual events or circumstances.

4.11 Reconciliation models and application for in-period determinations

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	✓

Reason for targeted status

This is a high priority area for us as reconciliation models and in-period determinations can impact on allowed revenues and customer bills.

The Final Determination of the price review process sets out the allowed revenues, the expected levels of service and financial and reputational incentives for UfW for the following period.

Ofwat has set a series of incentives to encourage cost efficiency and the delivery of outcomes that customers want. It also set out a series of reconciliation mechanisms, to ensure that risks are allocated between companies and customers and that customers' interests are appropriately protected.

The mechanisms allow revenues to be adjusted for:

- The outperformance or underperformance against a particular incentive mechanism;
- The difference between the assumptions made at the Price Review and actual, e.g. customer numbers;
- A change in circumstances that is outside of management control, e.g. tax rates; and
- Blind year adjustments to reconcile the assumptions made for the final year of the previous AMP, not covered in the Final Determination.

Reconciliation mechanisms can result in either in-period, or end of period adjustments (usually for ones that require an RCV adjustment).

Each July, we submit the information to support the in-period determination application as part of our APR. Ofwat assesses the submission and publishes the final in-period determination for some of its reconciliation mechanisms in November.

Ongoing or planned activity to mitigate the identified risks

- The information that will be used to populate the reconciliation models and applications for in-period determinations is collected as part of our Annual Performance Report (APR) production process.
- Data collected to produce the APR, associated tables, model population and applications for in-period determinations will be subject to our assurance approach.
- Accountability for information required to populate reconciliation models is checked through our in-year review process, including the production of methodologies and performance and compliance documentation.
- This common information source will then be used to populate both the APR tables and reconciliation models.
- Practice runs of models will continue to be made to ensure that all inputs are checked and are available (for both in-period and end of AMP models).
- Any issues identified through this process are addressed internally or where appropriate are fed back to Ofwat.

4.11 Reconciliation models and application for in-period determinations

Ongoing or planned activity to mitigate the identified risks

- We will publish detailed supporting information on our corporate website alongside the APR.
- To increase the transparency of the impact of these adjustments we will also publish a summary narrative of the impact within our main APR.

Additional governance or assurance

- Data used to populate reconciliation models will be subject to risk-based assurance as part of the APR process and will be reviewed and approved by a business sponsor.
- We follow the most up to date RAG guidance. If appropriate, when new guidance is issued we incorporate any updates and changes to our yearly reporting cycle.
- The Corporate Audit team will complete additional assurance checks on populated models.
- Reconciliation models will be used to calculate revenue or RCV adjustments and this will be subject to assurance.
- The results of this assurance, together with confirmation from the accountable executive sponsor, will be provided to the U UW board to support its consideration of the submission.

4.12 PR24

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	✓

Reason for targeted status

The five-yearly price review process determines the level of revenue that water companies can recover from customer bills for an assumed set level of performance, expenditure and financing. This is a complex and substantial exercise that has major significance for companies and customers.

The main business plan submission for the 2025–30 period was submitted to Ofwat on 2 October 2023. This reflected a stretching but achievable plan, built to take account of the evolving environment we operate in. As challenges and expectations rise across the sector our plan addresses this in both the short and longer term, delivering for customers, stakeholders and the environment. The submission is supported by substantial evidence base and associated assurance statements.

Ongoing or planned activity to mitigate the identified risks

- In order to ensure we delivered a robust business plan, U UW's PR24 programme was established, reporting to the Our Future Plan Steering and Executive Strategy Meeting, which in turn reports to the U UW board.
- The Our Future Plan Programme Team and associated PMO managed the whole process, with a established and maintained schedule, risk assessment and reporting cycle. The effectiveness of programme management has been assessed by both internal audit and external third party assurance.
- Since the business plan was submitted on 2 October 2023, the Our Future Plan programme team has been retained to manage the ongoing regulatory queries and management of subsequent submissions. Consistency of document authors and workstream leads has also been maintained in support of both queries and determination preparations.
- It is anticipated that the U UW board will be provided a further update in June 2024 as a result of Ofwat's published Draft Determination (expected early June). Based on this timeframe we anticipate that U UW will submit its representation to Ofwat during August with company representation meeting scheduled between U UW and Ofwat in September 2024.

Additional governance or assurance

- The U UW board was actively engaged in reviewing and setting the strategic direction for the business plan and in the assurance that was provided to support the plan. Supplementary document **U UW77 – Board leadership of the business plan** describes how the board has engaged with and provided strategic direction throughout creation of the plan. This can be found at: [unitedutilities.com/globalassets/z_corporate-site/pr24/supplementary-documents/uuw77.pdf](https://www.unitedutilities.com/globalassets/z_corporate-site/pr24/supplementary-documents/uuw77.pdf)
- The full U UW board signed a specific assurance statement which certifies and endorses the business plan and was published alongside the full plan. Chapter 10 of the business plan provided the assurance and track record evidence underpinning this statement. This can be found at: https://pr24.unitedutilities.com/pdfs/UUW10_chapter_10.pdf

4.12 PR24

Additional governance or assurance

- The programme utilised the existing company assurance framework and as part of this process the framework was assured externally by Deloitte LLP. This was complemented with programme specific assurance, to ensure that the information within or supporting the business plan submission was subject to an appropriate risk-based level of governance and assurance. The programme assurance ensured that all executive sponsors provided evidence to the Uuw board demonstrating the elements of the business plan that they were accountable for (as defined in the programme RACI) met the requirements for that element of the business plan.
- We continue to apply our assurance framework to the on-going query process for PR24 data and information.
- It is anticipated that a further Board Assurance Statement will be required to support the company's representation to Ofwat's Draft Determination. This will be underpinned by additional third party assurance.

4.13 Storm overflows

Previous reporting issues	Inherent data accuracy risks	High priority areas	Delivery
	✓	✓	

Reason for targeted status

Storm overflows consist of combined sewer overflows, known as CSOs, and overflows on our storm tanks.

Combined sewer overflows are an important part of the sewerage network. These assets act as a pressure relief valve when there is too much rainfall, allowing rain water, mixed with sewage, to rise inside the sewer and eventually enter a separate pipe which flows into a river or the sea. Sewers operate this way to help prevent the flooding of streets, homes and businesses. Likewise, storm tanks can also operate in the event of heavy rainfall. These tanks fill with excess water from the sewerage system to prevent overloading of our treatment plants. This water is stored and then released back into the treatment system when it can cope better. If the tank fills before the heavy rain subsides, then there can be a discharge into the river or sea.

Event Durations Monitors (EDMs) are installed at CSOs and storm tanks to record and monitor the point at which we discharge flow to the environment.

The Environment Agency (EA) works closely with water companies to ensure they are monitoring and reporting on their discharge activity in an effective and accurate manner. Current Environmental Permitting Regulations (EPR) stipulate that all EDM sites with a reporting requirement should be reported to the EA once a year as part of the annual company submission, whilst some are biannually, as part of the bathing season return. This is typically done within 28 days of the end of the reporting period. The EA then use this regulatory data to understand if any overflows are not operating as they should. This regulatory data also helps us to target investigations and investment.

It is essential that our storm overflow discharge data is reliable, accurate and complete and that the assurance procedures surrounding this environmental data is thorough and robust.

Ongoing or planned activity to mitigate the identified risks

Our environmental performance and technical expertise team undertake regular and comprehensive reviews of both flow and discharge data. This is to help quickly identify any asset performance issues. The team comprises of three key parts to support the end-to-end management of this data:

- Centralised analytical team
- Federated regional operational team
- Analytics platform/automated solutions

The analytical strand of the team focus entirely on data production, analysis, regulatory returns, progress tracking and highlighting any anomalies or areas for investigation to the field teams. Providing this dedicated function has helped to significantly reduce the time between any potential issues being highlighted and then actioned for resolution. The data can also be cut and prioritised in various ways depending on the particular business need and there is a direct link to a dedicated operational member of the team to support with any queries.

This analysis is then typically reviewed and actioned by the operational part of the team who are federated into the regional operational teams to provide dedicated, site-based expertise on flow and spill. This end-to-end flow of work helps to ensure that all actions, issues or improvements are actioned locally whilst simultaneously being captured centrally. Having a direct link with the wider operational teams has enables the sharing of ideas on best practice, review any lessons learned across the region and action any issues in a timely manner.

4.13 Storm overflows

Ongoing or planned activity to mitigate the identified risks

A subset of this team also carry out ad hoc reviews and inspections on our monitoring equipment to confirm that the data recording from the device is as accurate as possible. This information is captured in a central 'site survey' database which has been developed for use across the company. This information allows remedial actions to be quickly identified and actioned or escalated for further resolution.

These three areas of work cover the entire treatment and network aspects of the wastewater price control.

To further enhance this way of working, a new analytics platform was developed specifically to support the compliance assessments around flow and spill. The implementation of this platform has significantly improved the availability and visibility of our data, allowing analysis to be carried out and actioned much quicker.

We are also in the process of further enhancing our reporting capabilities to improve accuracy through data validation rules which will identify errors such as data spikes, flat lines etc. This new solution will provide a more automated way to ensure regulatory data are validated and accurate.

Further to the above, an audit of the data collection and reporting process is conducted by the independent technical auditor, Jacobs. This includes sample checks to test process, assumptions, methodology, implementation, governance, data output and compliance with the reporting requirements. There are also targeted checks by our internal Corporate Audit team.

Additional governance or assurance

Under our 'Better Rivers: Better North West' initiative, we have the support of a dedicated senior analyst for the provision of daily, weekly, monthly and ad-hoc reports and analysis.

Data is presented at meetings and forums across the full hierarchy of the organisation, including operational meetings and senior leader meetings. This provides a full view of performance and allows performance to be monitored using the same information across the organisation. The business work streams (treatment and network) come together during these forums to ensure operational performance is being reviewed, monitored and managed end to end.

There is continual regular engagement with any contractors and service providers who manage our monitoring equipment. This provides a speedy and direct escalation route to help manage any potential data queries.

The regulatory returns have multi layered review and are signed off by the Wastewater Services Director following engagement from the executive ahead of any regulatory submission.

5

Next steps



5 Next steps

This document sets out our final assurance plans for 2023/24 regulatory reporting.

We will again publish a suite of documentation to support our APR, providing additional detail where required and including an updated version of our customer focused summary report, reflecting the feedback on last year's publications.

In the interests of continuing to increase the transparency of our reporting, we will also continue to work with the YourVoice panel to review our performance and the coverage and reporting of this performance.

We welcome any comments or other feedback on this document or on our approach to reporting on our performance more generally.

Comments should be sent to us at myview@uuplc.co.uk



United Utilities Water Limited
Haweswater House
Lingley Mere Business Park
Lingley Green Avenue
Great Sankey
Warrington
WA5 3LP

unitedutilities.com



Water for the North West