

# Assurance statement

## Charges 2016/17



### ASSURANCE STATEMENT

This assurance statement is provided as required by Ofwat in its Information Notice IN15/15, in relation to United Utilities Water Limited's (UW) charges schemes for 2016/17.

For 2016/17, the Charges Schemes are presented as five distinct schemes namely: Household (Domestic Retail); Non-household (Business Retail); Wholesale (Water); Wholesale (Wastewater); and New Connections and Developer Services.

The charges presented are consistent with UW's revenue controls for 2016/17, published by Ofwat on 12 December 2014.

#### 1. LEGAL OBLIGATIONS AND GUIDANCE

UW's charges schemes have been prepared in accordance with its legal obligations and the Charges scheme rules issued by the Water Services Regulation Authority under sections 143(6A) and 143B of the Water Industry Act 1991. UW has also taken into account the Company's statutory obligations relating to charging.

The company complies with its legal obligations relating to the charges set out in its charging schemes.

#### 2. CUSTOMER BILLS, IMPACT ASSESSMENTS AND HANDLING STRATEGIES

The charges presented for 2016/17 have been subject to a cost reflectivity review and the impact of this review on our customers has been assessed. Where this review indicated that a charge should be subject to a material change in order to improve its cost reflectivity (particularly where this involves an increase to a charge), UW has implemented transitional arrangements in order to manage the impact on customer bills. Senior managers have reviewed options and strategies for mitigating the impact on customers' bills in the year.

The Board has assessed the effects the new charges have on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%.

All modifications to special agreements will continue to be notified to Ofwat in a timely basis.

#### 3. SYSTEMS AND PROCESSES

The Board manages the effective and efficient delivery of its obligations and operation of everyday activities within the business by the interaction of:

- **Authorisations, approvals and procedures.** These are set out in the United Utilities Group PLC (UUG) Internal Control Manual (ICM) to provide guidance to employees as to the system of internal controls which they must follow when acting on behalf

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of UUW and UUG as a whole (“UU”). The ICM sets out a framework within which underlying detailed procedures and policies operate.

- **Policies.** The Board has adopted an overriding set of business principles. These are supported by a range of underlying policies that provide guidance to its employees as to how they should conduct themselves when acting on behalf of UU. Everybody working for or on behalf of UU must comply with the policies (to the extent they are applicable to their roles). Failure to do so may result in disciplinary action being taken. This could lead to dismissal and possible civil or criminal prosecution in serious cases.
- **Governance and control.** The Board delegates responsibility for specific matters to a number of committees and working groups. This provides a framework that employees are expected to be aware of and comply with where relevant to their role to ensure business decisions are taken in accordance with best business governance practices.

To oversee and take decisions affecting the execution of its obligations, the Board:

- Receives and reviews performance reports from the relevant employees of the Company.
- Receives and reviews presentations from the UU Corporate Audit Team, the financial and technical Auditors.
- Receives and reviews presentations from the wholesale, domestic retail, business retail, engineering and capital delivery, and finance directorates.
- Has access to executive and senior managers in the Company to verify information.

Specifically in relation to charges, the Board:

- Reviews and approves the annual Charges Assurance Statement
- Receives board reports, highlighting progress and any issues from the relevant business areas
- Has access to senior managers in the Company to verify information.
- Is presented with significant proposed changes to the charges schemes and any modifications to the tariff structure prior to inclusion within the charges schemes
- Receives updates on progress with proposed changes at appropriate times

Policy statements have been developed to support the application of the high level charging principles contained within the charges schemes. These statements are allocated, owned and reviewed by appropriate middle managers. A process is defined for approval of both changes to policy statements and for the introduction of new policies.

There are processes that support these policy statements with a plan to review these to reflect changes made to the charges schemes for 2016/17.

The Company’s charges processes also include procedural and quality controls designed to provide assurance of the accuracy, completeness and reliability of data reported. The Company’s procedures for the charges include:

- The written methodologies are subject to annual review

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- The charges schemes 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

The charges scheme preparation is subjected to an established series of internal reviews and approvals by employees who are independent of the data compilation process.

The Board considers that the company has appropriate systems and processes in place to make sure that the information contained in the charges schemes is accurate.

## 4. ENGAGEMENT WITH THE CONSUMER COUNCIL FOR WATER (CCWATER)

UW has consulted with CCWater in a timely and effective manner in the development of all five charges schemes for 2016/17. The Company has shared with CCWater the changes proposed to the schemes. We have considered all the feedback provided by CCWater as part of the review both in relation to the proposed changes and other issues raised by CCWater about our charges schemes.

UW has also shared with them our approach to the development of both wholesale charges and end user charges, discussing with them the strategies developed for managing incidence effects on customers' bills. CCWater have confirmed that they do not have any concerns with our approach to the strategies proposed to manage incidence effects.

## 5. DIRECTORS' STATEMENTS

The Board considers that in preparing and approving the charges schemes the Company has applied the processes, procedures, governance and internal systems of control described above. They have been applied in a manner which, subject to any departure and explanation described in the covering letter, has enabled it to satisfy itself, to the extent that it is able to do so from the facts and matters available to it, that the charges schemes are reliable, accurate and complete in all material respects and meets its obligations for the provision of information to Ofwat.

SIGNED ON BEHALF OF THE BOARD

Steven Mogford

Chief Executive Officer