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# Appendix: YKY62\_Board oversight of PR24 plan development

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YorkshireWater

This Appendices document is separate to and supports the main business plan document.

**Business plan links**

This icon can be clicked on to go to the main Yorkshire Water Business Plan document where more information can be found.

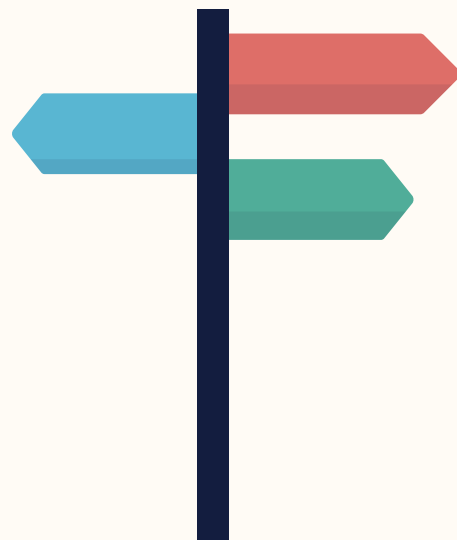


More detail on this subject can be found in **Chapter 10: Board assurance**

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# 1. Board oversight

The Board of Yorkshire Water has been accountable for the leadership and preparation of this PR24 plan, including the quality and transparency of the information provided as well as setting the strategic direction for the business.

The Board has been involved in discussion, review and challenge of various iterations of the plan throughout its development and shaped changes and further evolution of the plan during each iteration. The Board has made sure that the business plan reflects the company’s wider strategy and has received papers relating to PR24 covering matters such as the quality statutory submissions, customer engagement, financeability, bespoke performance commitments, cost adjustment claims, affordability and acceptability, and direct procurement for customers, price control deliverables and uncertainty mechanisms. The Board has also been involved in a full review of various iterations of the business plan.

As part of the governance around the PR24 programme, the Board has used three committees in the support of its duties: the Audit and Risk Committee, the Public Value Committee and the PR24 Committee. These committees played an integral role in the development of the plan. Board members are part of these committees.

The Audit and Risk Committee supports the Board by providing oversight and challenge to the Company’s systems for reporting and managing risk and for maintaining the integrity of its operational and financial reporting. The Audit and Risk Committee focused on assurance over financial resilience, via risk scenario planning and a detailed review of key financial risks, alongside a review of the risks, internal controls and assurance in place for PR24.

The remit of the Public Value Committee is to focus on the social purpose and public accountability of the Company and to embed the consideration of public value in strategy and decision making across the business. The Public Value Committee challenge Company management to ensure that the impact on our communities, the environment and other stakeholders is carefully considered before decisions are made. During the year the Public Value Committee considered and reviewed a range of matters, including our long-term plans for water resources and wastewater drainage, the affordability of bills for customers and our response to climate change and environmental matters.

The PR24 Committee was established early in 2023 following publication of Ofwat’s final methodology for PR24. The purpose of this Committee is to provide strategic oversight, challenge and steer to the development of the PR24 plan. The PR24 Committee also considered the impact of the PR24 plan on the residual risk position of the business. The PR24 Committee membership included at least three independent non-executive directors and two investor directors. All members of the Board have had a standing invitation to join the committee in its discussions and received all the relevant papers.

A summary of the feedback and challenges from Board and its three Committees is included in Table 1.1.

## 1.1 Summary of feedback and challenges from Board and its three Committees during the development of the PR24 business plan.

Date	Meeting	Key feedback / challenges
Jan-22	Board	PR24 programme budget agreed
Jan-22	Public Value Committee	<ul style="list-style-type: none"> <li>Discussion around Ofwat’s approach to customer engagement for PR24. It was noted that Ofwat was seeking a more statistical approach to customer engagement and were proposing a postal survey for PR24. Yorkshire Water had challenged that this was likely to mean under-representation from vulnerable customers, plus the significant cost and data protection implications of undertaking such research.</li> <li>A Yorkshire Water customer research plan was proposed to run in parallel.</li> <li>The Committee discussed the role of the Customer Forum. It was noted that this was no longer a regulatory requirement. The Board requested a</li> </ul>

Date	Meeting	Key feedback / challenges
		<p>proposal on how the Forum could support the PR24 process and how its purpose might be best fulfilled.</p>
Mar-22	Board	<ul style="list-style-type: none"> <li>• Steer given to ensure there was contingency for adverse weather included in the base plan. Useful to quantify the full cost of adverse weather events, including the cost of risk mitigation in this area to enable this to be built into the PR24 submission.</li> <li>• Stakeholders and customers needed to be viewed as separate groups with different voices, [and their input influencing our plan].</li> <li>• Emphasis on longer-term thinking and the need to set the context of a [twenty-five year] plan. Clarity around longer-term goals and consideration of what was most important to Yorkshire Water, its customers and stakeholders over a [twenty-five year] planning horizon.</li> <li>• Science should be used where appropriate to clearly set out the rationale in areas such as resilience to climate change.</li> <li>• Governance approach agreed to ensure sufficient Board input and oversight.</li> <li>• Early start investment proposals should be brought back to the Board</li> </ul>
May-22	Public Value Committee	<ul style="list-style-type: none"> <li>• Strategic planning frameworks were a key part of the PR24 submission but also stood alone in their own right. The Committee was updated on the frameworks in place and the challenges this presented in terms of reporting different information to different regulators at different times and the care that needed to be taken not to make commitments in one submission that then could not be supported in the others.</li> <li>• The Committee provided challenge over the funding of the capital elements of the programmes.</li> <li>• Overview provided on the Water Resource Management Plan (WRMP), which was due for approval later in the year. The process to seek solutions to the resource gaps identified, either through increasing supply or reducing demand were discussed. It was noted that solutions were assessed from an environmental and social capital perspective as well as financial and this process would lead to a prioritised list of interventions to feed directly into the PR24 programme.</li> <li>• The issue of degraded capacity at treatment works was raised and it was confirmed that this was considered as part of the solutions being looked at.</li> <li>• Drainage Water Management Plan (DWMP) was presented. It was noted that the DWMP had been introduced just ahead of PR24, so this was the first time for this process. The reason for the introduction was noted to be a requirement for greater transparency of data and improved collaboration on drainage and wastewater management processes.</li> <li>• It was noted that different elements impacted to varying degrees on different companies, giving the example that Combined Sewer Overflows impacted Yorkshire Water much more than some other water companies. This then created differences in the affordability of investment.</li> <li>• There was a discussion around grey solutions compared to blue green solutions and the importance of assessing the full suite of benefits was noted.</li> <li>• The Committee agreed the process for approval of the DWMP in June.</li> </ul>
May-22	Board	<p>A potential water resources resilience investment reviewed that would strengthen the resilience of water resources to enable Elvington to be shut down for up to four weeks.</p>
Jul-22	Public Value Committee	<ul style="list-style-type: none"> <li>• An update on the Water Resource Management Plan was provided.</li> <li>• It was noted that it was imperative that the commitments made in the Plan met Ofwat criteria and the definition of funding. It was confirmed that the majority of the commitments would relate to enhancement funding.</li> <li>• The approach to underlying assumptions was queried.</li> </ul>

Date	Meeting	Key feedback / challenges
		<ul style="list-style-type: none"> <li>Greater challenges facing water resources at the current time were challenges and the need to assess the impact of climate change.</li> </ul>
Jul-22	Board	<ul style="list-style-type: none"> <li>Customer Forum needed reshaping as currently was more of a stakeholder forum at present, terms of reference required review.</li> <li>Importance of representing Yorkshire Water strategy in the PR24 submission rather than simply responding to the regulator position and confirmed that work was ongoing on this and talked through how the company goals would be mapped to Ofwat themes.</li> <li>Public expectation was often ahead of regulation and therefore there would be benefit in planning to outperform in certain areas.</li> <li>Importance of considering areas for early start investment and getting suppliers lined up early.</li> </ul> <p>Importance of considering the CMA model in planning, given that this had concluded on where Ofwat had been right and Yorkshire Water wrong in its approach to PR19.</p>
Sep-22	Board	<ul style="list-style-type: none"> <li>Noted the key challenges with the environmental programme - key drivers from both the Environment Bill and stakeholder expectations, including regulatory expectations.</li> <li>The importance of early consideration of where outperformance could be achieved was also noted, although avoiding partially or unfunded obligations was also emphasised.</li> <li>Discussed the requirement to increase drought resilience from a 1-in-200-year event to a 1-in-500-year event.</li> </ul> <p>Noted that Severn Trent indicated that they would want to cease transferring water to Yorkshire during the planning period. The Plan adopted a dual approach of demand management through consumption and leakage and supply interventions. Capacity in the River Ouse licence that could be utilised through a new treatment works or the development of existing works.</p>
Sep-22	Public Value Committee	<ul style="list-style-type: none"> <li>Update provided on the draft WRMP, noting an updated assurance position since the Board meeting the previous week and setting out the process to complete the Plan prior to submission.</li> <li>It was confirmed that the assurance work had now been completed and no further material actions had been identified since the last update to the Board. Those actions that had already been identified had been prioritised and all that required closure prior to submission had now been completed.</li> <li>An overview of the draft Plan itself, noting the challenges identified in the Plan; through population growth, climate change and the need to minimise the environmental impact from abstraction activities.</li> <li>Modelling indicated a deficit of supply and therefore interventions would be required to ensure appropriate levels of supply and to meet more demanding water resource planning guidelines for drought resilience.</li> <li>The transfer from Severn Trent was discussed at length and it was confirmed that the loss of the current transfer had been assumed in the Yorkshire Water planning.</li> <li>Connectivity between the WINEP and the WRMP was noted.</li> <li>The level of abstraction that would be allowed into the future was discussed.</li> <li>The required improvement in drought resilience from a 1 in 500-year event to a 1 in 200-year event was discussed.</li> <li>The Committee challenged that more needed to be said in the Plan about the carbon impact and why this may not be material. The Committee also requested that more would be included in the Plan around the requirements from Ofwat and Defra, so it was clear where this had influenced the decisions made.</li> </ul>
Dec-22	Board	<ul style="list-style-type: none"> <li>Planning for assurance statement reviewed and noted that it would require sign-off by the Board prior to the PR24 submission and the Board would</li> </ul>

Date	Meeting	Key feedback / challenges
		<p>need to receive everything it needed in order to be comfortable signing that off.</p> <ul style="list-style-type: none"> <li>Annual Performance Reports for the sector indicated that Yorkshire Water was near the bottom of the sector. The political pressure for the regulator to show few companies as 'outstanding' or even 'standard' was also noted.</li> <li>WINEP and DWI submissions – the new process for WINEP24. Query about how the WINEP figures aligned with the £180 million set aside for storm overflow investment. The target was for a ten-spill average at each asset through the WINEP.</li> <li>Board agreed to proposed additional meetings for the Board and Committees during 2023 in accordance with the suggested schedule [to ensure robust and thorough oversight and steer].</li> <li>It was noted that historically the price to customers had often been a restraint in the Price Review, but the impact of WINEP in PR24 would mean all prices would need to increase.</li> <li>For WINEP and DWI, caution was encouraged in the modelling, with management encouraged to use an average over time rather than taking an overly optimistic view of current performance.</li> <li>The Board discussed the new Corporate 10-year strategy and how this could work alongside the existing values and the Customer Promise.</li> <li>The proposed strategy was to 'create a thriving environment for Yorkshire' and to be top quartile for C-Mex, environmental and customer ODIs and median for other measures, which was noted to be a stretch in a number of areas.</li> </ul>
Jan-23	Public Value Committee	<ul style="list-style-type: none"> <li>The Committee reviewed WINEP. Guidance from the Environment Agency required the WINEP programme submission to be presented to and accepted by the Board, and that confirmation be given that the WINEP guidance had been followed. The Board Assurance Statement confirmed this. Atkins had provided third-party assurance that the guidance had been followed on options development and the calculation of benefits.</li> <li>It was noted that the requirements continued to evolve with guidance on continuous water quality monitoring expected in February or March, therefore the cost of this was currently uncertain.</li> <li>The Committee paid attention to areas of the programme where there was choice, providing an update on the proposed scale and extent of phosphorus removal and the decisions in relation to bathing water activity.</li> <li>A query was raised around net zero and how this was being supported through the Environment Agency requirements. It was noted that where possible, nature-based solutions were being considered and work was ongoing with the Environment Agency on using lower carbon solutions.</li> <li>There was further discussion around the submission and the need to focus on costs to prove efficiency was emphasised, as well as the need for supplier involvement early on to secure resources.</li> <li>The Committee reviewed the DWI Submission. The Board noted that a workshop with the DWI in December 2022 had received very good feedback, with the DWI commenting that the Yorkshire Water presentation was the benchmark for the industry.</li> <li>The Committee challenged the lack of protection against cryptosporidium included in the programme and requested further information on this.</li> <li>The Committee proposed that, even though not a requirement, a Board Assurance Statement should be included with the DWI submission.</li> <li>The Committee reviewed the Long-Term Delivery Strategy (LTDS). It was noted that Board members were meeting with Ofwat regarding this matter. The Committee challenged that the Long-Term Delivery Strategy needed to carefully align to the work on the new corporate strategy. It was confirmed that the customer story and customer expectations over the next 25 years would be included. It was noted that the statutory submissions of the WRMP, DWI, DWMP and WINEP were key parts of the LTDS.</li> </ul>

Date	Meeting	Key feedback / challenges
		<ul style="list-style-type: none"> <li>The Committee challenged that the Long-Term Delivery Strategy needed to include emphasis on things that were unique to Yorkshire.</li> <li>The Committee was updated on Bespoke Performance Commitments, and they challenged that any bespoke performance commitments needed to benefit Ofwat, Yorkshire Water and customers.</li> <li>A progress update on DWMP was presented.</li> <li>Information on PR24 Business Plan structure and key messages was shared.</li> </ul>
Jan-23	Audit & Risk Committee	<ul style="list-style-type: none"> <li>The Committee was presented with the assurance plan for PR24 for approval. There was a discussion around the Board Assurance Statement and the changes required from the Statement made for PR19. The need for the Board to have the opportunity to challenge the assumptions made in the PR24 submission was raised, particularly in relation to core operational costings and strategies. It was noted that the Board did not simply want to consider the assurance in relation to the programme but also how the organisation was proposing to live within its allowances to ensure that the Board was comfortable with the decisions being made.</li> <li>It was requested that all assurers be given the opportunity to present to the Board as the programme developed, given the extensive work required on assurance and the importance of this.</li> </ul>
Jan-23	Board	<ul style="list-style-type: none"> <li>It was proposed to set up a PR24 Committee of the Board to provide greater opportunity for Board members to be involved in the development of the PR24 submission and to relieve the Public Value Committee of the considerable volume of work that had originally been scheduled to be considered by the Committee.</li> <li>Action given to review the PR24 programme to ensure we were well resourced.</li> <li>The proposed approach to the DWI submission and the initial view of proposals for PR24 and beyond was approved for submission by the end of the month, subject to approval of the Board Assurance Statement to be circulated later in the week.</li> </ul>
Mar-23	PR24 Committee	<ul style="list-style-type: none"> <li>It was agreed that subject to the agreed amendments, the Terms of Reference would be recommended to the YW Board the following week.</li> <li>It was noted that Ofwat had concerns around deliverability and the capacity of the supply chain to service the sector. It was noted that this needed to be flagged in the DWI submission.</li> <li>At the conclusion of the discussion the Committee agreed that it was happy to recommend the submission to the Board for approval, subject to the agreed changes / considerations.</li> <li>It was queried whether the DWMP paper could be clearer in its messaging around storm overflows and that Yorkshire Water shared the public concern and deemed these to be completely unacceptable. It was noted that the Plan would be brought back to the Committee for consideration in May, prior to the Board meeting.</li> <li>It was agreed that the submission on bespoke performance commitments be recommended to the Board for approval.</li> </ul>
Mar-23	Board	<ul style="list-style-type: none"> <li>Specific request from Defra for a Storm Overflow Reduction Plan had still not been received but that consideration was being given to this and the level of ambition that could be reflected in such a plan. They noted that testing the strategy with customers indicated a real appetite for Yorkshire Water to 'go beyond' on bathing water quality and storm overflow reduction.</li> <li>The bill impact of going beyond had not yet been specifically tested with customers, but that affordability had come out as strongly as environmental improvements in customer feedback. Highlighted the need for dialogue with customers and for the bill impact to be included in all PR24 research.</li> </ul>

Date	Meeting	Key feedback / challenges
		<ul style="list-style-type: none"> <li>• Discussion around the principles to be followed by the PR24 Committee in assessing the development of the PR24 plan, which were credibility, deliverability, financeability and affordability.</li> <li>• The Board approved the DWI Submission and Bespoke Performance Commitment papers for submission to the DWI and Ofwat respectively.</li> <li>• Need to ensure that any assurance received was credible both internally and externally and not simply a 'tick in the box' was agreed.</li> <li>• The Board reviewed the proposed corporate strategy. It was noted that this had been revised following the feedback from the Board in December 2022 and testing with colleagues and customers. The strategy was then discussed and the importance of making it relevant to individuals was emphasised. Some further feedback was provided in terms of ensuring the provision of the best service at the lowest sustainable cost was brought out and an appropriate balance was achieved between Wastewater and Water ODIs. There was also a comment around the tone and the importance of ensuring the language was ambitious enough in relation to net zero to appeal to younger colleagues. It was suggested that the strategy should be considered from a customer perspective as well as an environmental stakeholder perspective in relation to how it would be communicated effectively to those stakeholder groups.</li> </ul>
Apr-23	PR24 Committee	<ul style="list-style-type: none"> <li>• It was agreed that sufficient Board time would be set aside in July and September for the Board as a whole to review and approve the draft and final plan submission.</li> <li>• Request for further workshop session on Performance Commitments for Board Members</li> <li>• It was noted that short-term consultancy support was being brought in to resolve some of the resourcing issues. It was also noted that some internal transfers were taking place to reallocate resource to the WRMP.</li> <li>• It was agreed that further information on the strategic risks and opportunities around DPC as well as more detail on the options for going forward would be brought back to the Committee next time.</li> </ul>
May-23	Audit & Risk Committee	<ul style="list-style-type: none"> <li>• The PR24 Cost Adjustment Claim Early Submission was discussed. The process that had been undertaken on the cost adjustment claims was presented and the Committee noted the recommendation to submit two claims, in relation to phosphorus removal and the cost impact of combined sewers.</li> <li>• Assurance over the work on the cost adjustment claims was presented, noting that all possible claims were being challenged using external expertise, with Turner &amp; Townsend providing assurance around the technical merits of the cases being submitted.</li> <li>• The confidence level in the claims was queried and it was noted that the claims were not without risk but that the two claims being submitted were believed to be strong. It was noted that only a limited number of claims were approved each year.</li> </ul>
May-23	Board	<ul style="list-style-type: none"> <li>• Board agreed that additional touch points were to be arranged for the Board to review the draft and final PR24 plans. A detailed session on performance commitments was to be arranged for the PR24 Committee.</li> <li>• The cost adjustment claim early submission was approved, subject to the inclusion of a reference to the fact that the claims being made did not lend themselves to symmetrical treatment.</li> <li>• The DWMP submission was approved by the Board subject to minor amendments.</li> </ul>
Jun-23	PR24 Committee	<ul style="list-style-type: none"> <li>• It was noted that the Executive PR24 Steering Group would meet in advance of each Committee meeting and would bring recommendations to the Committee each time.</li> </ul>



Date	Meeting	Key feedback / challenges
		<ul style="list-style-type: none"> <li>The Board emphasised the importance of understanding the capacity and capability of Yorkshire Water in relation to each performance commitment to understand where investment could be focused to improve things the most effectively.</li> <li>Highlighted the significant challenge going from no DPC projects to four for a management team without a track record of delivery. The Committee endorsed the ongoing development of the four schemes.</li> </ul>
Jul-23	PR24 Committee	<ul style="list-style-type: none"> <li>The Board noted a need to consider external best practice and innovation that could be used to enhance current capability.</li> <li>The point was raised that it had been agreed previously that the business would aim to be top quartile in C-Mex.</li> <li>It was agreed that the graduation of bill increases would be revisited to see if a significant jump could be avoided.</li> <li>The amount of cross-subsidy to support less well-off customers was discussed and it was noted that this was comparatively low in Yorkshire, at between £4 and £6 compared to £40 in Anglia.</li> <li>It was noted that WACC was a fundamental core problem across the sector which risked making the sector uninvestable. The importance of keeping an open mind and consulting with peers was emphasised.</li> <li>It was agreed that it would be useful to get information on the scale of investment programmes in comparison to RCVs.</li> <li>The Board noted that to be world class the focus should not be how the business would become world class at ODIs and prioritise those where world class performance could be achieved first. The Board' expectation was to see a full analysis of each ODI, setting out every possible intervention from both internal knowledge and knowledge from across the sector.</li> <li>Concerns about the future reputational impact of decisions made now by the two regulators and that thought needed to be given to how this would be positioned with Ofwat.</li> <li>The Board challenged management on the challenge that had been applied by the Executive with regards to PCs and ODIs</li> <li>The Board emphasised the importance of the Committee understanding the key risk areas in the plan and having a clear early view of the potential pinch points, issues, challenges and opportunities.</li> <li>The Committee gave the steer to better demonstrate innovation.</li> <li>The need for a clear engagement and influencing strategy was emphasised.</li> <li>The Committee noted that the bill profile and sharing mechanism information needed further customer linkage around affordability and expectations before coming to the Committee for discussion.</li> <li>Steer given for the Management to explore what other Water companies are doing with regard to pay as you go and run off.</li> <li>It was agreed that the preference was to adopt the Ofwat methodology for calculating WACC, using the latest information in the calculation.</li> <li>Steps being taken to mitigate the risk of cryptosporidium and where these were reflected in the updated WRMP.</li> <li>Committee challenged metrics around inflation.</li> <li>The Committee queried how the response might be received and it was noted that the Environment Agency may feel that the level of phasing proposed by Yorkshire Water was low, but that this was reflective of the different position of Yorkshire Water in comparison to a number of other companies, with a significant increase in investment already required in AMP9.</li> <li>Steer given from the Committee that the Strategic Narrative needed more supporting data and forward-looking content, as well as the need to be really explicit and evidence-based.</li> <li>It was noted that more evidence on the work done in relation to ODIs had been requested previously and was ongoing.</li> </ul>

Date	Meeting	Key feedback / challenges
Jul-23	Audit & Risk Committee	<ul style="list-style-type: none"> <li>• An update was provided to the Committee on progress against the approved PR24 assurance plan.</li> <li>• It was noted that the assurance to-date had focused on statutory submissions but was now turning to the PR24 data tables, which was a significant piece of work with over 10,000 data lines. It was noted that KPMG and Turner &amp; Townsend had been engaged as external assurance providers, along with Fingleton who had been appointed to provide some specific strategic assurance on the PR24 plan.</li> <li>• The importance of ensuring that the assurance was lined-up with the Board reviews of the plan was emphasised and the Committee confirmed that it did not matter whether assurance was brought to the PR24 Committee or Audit and Risk Committee, as long as it lined up with the Board reviews.</li> <li>• It was requested that the draft Board Assurance Statements be included in the pack each time in order to enable review of the proposed language.</li> </ul>
Jul-23	Board	<ul style="list-style-type: none"> <li>• It was noted that long-term engagement with consumers and the importance of effective communication on water consumption were key areas for consideration and that work was planned in relation to this.</li> <li>• Noted that some additional Board sessions were being scheduled to allow the Board to have sufficient time to consider and sign-off on the draft and final PR24 Plans.</li> <li>• It was agreed that members of the Executive would be invited to the PR24 workshops and would attend where possible.</li> </ul>
Aug-23	PR24 Committee	<ul style="list-style-type: none"> <li>• The Committee challenged the affordability of the plan, and it was noted that some sensitivity analysis of the Plan would be useful. It was also noted that it was important to consider how best to support customers who would struggle to pay bills if there was a large increase.</li> <li>• The Committee asked the Customer Forum Chair how Yorkshire Water might better listen to customers and build the voice of the customer into strategic thinking.</li> <li>• The Committee raised a query over whether Yorkshire Water was demonstrating enough of the investment that had been made by shareholders to address the storm overflow issues when speaking to customers about bill increases.</li> <li>• The Committee raised a query on the amount of money spent chasing bills that were never paid and whether this could be built into the decision-making process.</li> <li>• The Committee challenged whether supporting 80,000 customers was ambitious enough and whether the aim should be to eradicate water poverty, which mean providing support to 160,000 customers.</li> <li>• It was noted that support needed to be affordable but also sufficiently stretching for the business. It was agreed that there was no question that the business wanted to continue to help those in economic deprivation and water poverty.</li> <li>• The Committee requested a compelling justification for the cost adjustment claims, performance adjustment claims, targeted infrastructure allowances, targeted non-infrastructure allowances and Direct Procurement for Customers which would be submitted to Ofwat.</li> <li>• The Committee challenged the forecast in relation to ODIs and how robust this was.</li> <li>• It was noted that many of the issues in AMP7 applied to all businesses and that much had still been achieved despite the challenges, such as delivering on the leakage target despite the drought and freeze-thaw. It was therefore important to present a balance when referring to AMP7.</li> <li>• A query was raised regarding what would make the Yorkshire Water plan stand out.</li> <li>• Steer was given to make the plan more specific to the Yorkshire region.</li> </ul>

Date	Meeting	Key feedback / challenges
		<ul style="list-style-type: none"> <li>It was agreed that the Committee supported the inclusion of £14 per annum per customer in the plan, for customer support.</li> <li>It was noted that Yorkshire Water was one of the few companies in the sector contributing to customer support itself and that therefore this was an important point to bring out.</li> </ul>
Sep-23	Board	<ul style="list-style-type: none"> <li>Board was provided with a reminder of all the key decisions to be made by the Board and the current position in relation to customer and stakeholder engagement, optioneering, bill profile, affordability and bill items, ODIs and performance commitment ambition and efficiency, deliverability, the longer-term, price control deliverables and uncertainty mechanisms, residual risk, narrative, additional asks beyond statutory requirements, and assurance.</li> <li>It was noted that the team was working extremely hard and was very tired, therefore she had concerns around team resilience. She also noted that there was a very significant volume of data, with over 10,000 data lines.</li> <li>The big 'top-down' questions were set out in relation to the clarity of the strategy, the adequacy of resourcing and whether the plan was synthesised and optimised. This was discussed and it was agreed that it was important not to lose sight of the bigger questions, which could be set out in the introduction to the assurance statement and in communications to stakeholders' post-submission. The importance of setting out the alignment with the corporate strategy and clear ownership of the strategy by the Board was emphasised.</li> <li>The need to include information on the role of the Board throughout PR24 and how the Board would continue to assure delivery of the plan going forward was also noted.</li> <li>The work done by the Audit and Risk Committee to-date on assurance of the plan was queried. It was noted that the Committee had received a paper at the last meeting setting out the assurance plan and which assurer was responsible for each area. It was confirmed that there were three primary assurers supporting the process: Turner and Townsend assuring the non-financial data tables, KPMG assuring the finance tables, and Fingleton providing strategic assurance. It was also noted that other assurers had been used on specific pieces of work, citing the example of Atkins providing assurance on the DWMP.</li> <li>Key points on the financeability of the plan were set out, noting the requirement for the plan to be assured as financeable under both the Ofwat notional structure and the actual capital structure in place.</li> <li>The assumptions made in the numbers were set out and that many of these, including 'pay as you go' and 'run-off' rates were in line with Ofwat guidance. The Ofwat view of WACC as of September 2022 was 3.29% but that 3.66% had been used by Yorkshire Water, representing the Ofwat methodology updated for market data as at July 2023. It was noted that YW believed this approach was consistent with the Ofwat Quality and Ambition Assessment, as long as the WACC used was not significantly ahead of others in the market and could be appropriately justified.</li> <li>The dividend assumptions and capital injection assumptions that had been made were presented, noting that a dividend yield of 3% was proposed over the AMP, which would be sufficient to service the needs of Kelda group companies, including the intercompany loan and capital repayments in line with the Ofwat undertaking.</li> <li>The Board was presented with the financeability assessment, noting that both assessments indicated that the plan was financeable.</li> <li>It was noted that work on the AMP9 position was ongoing with alternative pathways being discussed and considered.</li> <li>At the conclusion of the discussion, it was unanimously agreed that the updated plan numbers and the financial resilience assessment for AMP8 be approved in principle, with final numbers to be brought to the Board for information prior to submission.</li> <li>The Board discussed the latest version of the Board Assurance Statement.</li> </ul>

Date	Meeting	Key feedback / challenges
Sep-23	PR24 Committee	<ul style="list-style-type: none"> <li>Customer bills and affordability, particularly on the flat bill profile and the natural bill profile was discussed. It was noted that customer preference between the flat profile and natural profile had been marginal. The paper reconfirmed the proposals for affordability and financial support for customers and that there was a proposal in the paper to increase the voluntary contribution of £2 million a year to £2.5 million to align with the overall increase in customer bills.</li> <li>There was a discussion around the impact of a natural bill profile on vulnerable customers. It was confirmed that the natural profile would be beneficial in the first year as it would not have as significant an increase as the flat profile.</li> <li>A concern was raised that not all had been done to look at debt forgiveness, and that the cost of collection needed to be considered to see how the plan could be improved to help customers. She noted that this was something for further consideration after the plan submission, and this was agreed.</li> <li>At the conclusion of the discussion the Committee approved in principle the recommendation to put forward a natural bill profile for AMP8.</li> <li>The Committee also approved in principle the increase in the voluntary contribution for customer support and the proposal to potentially share outperformance with customers through increasing the voluntary contribution further.</li> <li>Long-term delivery strategy (LTDS) was discussed. The Board’s role to approve a view of investment to 2050 was noted. The paper set out Ofwat’s expectations, how uncertainty is managed within the LTDS process and the resulting implications.</li> <li>An overview of the core and statutory pathways in the LTDS, including the estimated costs of the pathways in each AMP to 2050 was discussed. A number of further alternative pathways associated with future uncertainties were summarised.</li> <li>As well as setting out pathways of potential investment to 2050, the LTDS gives a forecast of Performance Commitment service levels over the same period. This information was presented.</li> <li>Financial resilience was discussed. A significant amount of work has been undertaken since the last meeting and the final proposal was now set out in the paper for approval. The paper considered the investment pathways within the long-term delivery strategy (LTDS), the requirements of financial resilience statements for PR24 and interaction with the Board approved Kelda model. A statutory pathway has been chosen for the AMP9 resilience test, which indicated that the current plan could be assured as resilient for AMP8 and beyond, through to the end of AMP9.</li> <li>Approval was given for the use of the statutory pathway in the financial resilience assessment, as set out in the Committee paper.</li> <li>A brief explanatory introduction to price control deliverables was given, noting that these were a new customer protection mechanism to ensure that funding was spent on what it was provided for and within set timescales. The accuracy of the risk position was queried, noting that the risk may be greater if a project was aborted after incurring significant expenditure. The Committee noted that the price control deliverables were specifically designed with caveats to allow regulatory changes in scope or obligation to be discussed with the regulator if costs had been incurred prior to the change.</li> <li>The Committee approved the inclusion of the price control deliverables set out in the Committee paper in the PR24 plan.</li> <li>Uncertainty mechanisms were discussed, and it was noted that routes already existed to seek to manage uncertainties, therefore careful thought had gone into where uncertainty mechanisms may be required and the likely regulatory response to these. This work had resulted in two uncertainty mechanisms being proposed, in relation to input prices in relation to energy, chemicals, labour and materials; and biodiversity, specifically in relation to land bank availability for biosolids which could be significantly reduced by anticipated legislative changes.</li> </ul>

Date	Meeting	Key feedback / challenges
		<ul style="list-style-type: none"> <li>The Committee noted that extreme weather events were another uncertainty and queried whether there was any cross-industry movement on this. It was commented that Ofwat tended to consider extreme weather to just be part of doing business, as shown in their response to the increased costs incurred as a result of Storm Arwen. It was agreed that the uncertainty of extreme weather should be added as a risk to the Assurance Statement.</li> <li>The Committee approved the proposal to include the requests for the two uncertainty mechanisms, subject to the amended wording suggested and further consideration on limiting the input prices to energy and chemicals.</li> <li>PC and efficiency response was reviewed, noting the performance commitment levels forecast for AMP8 and the planned interventions to maximise performance; the update on innovations that had been reviewed and fed in as appropriate to the plan; and the efficiency that was planned and the initiatives included in this.</li> <li>It was noted that a lot of innovation learning from across the industry had been applied to the plan.</li> <li>It was noted that there was a high level of confidence in relation to the efficiency programme. Further work on this would be carried out post-submission as part of the delivery plan development.</li> <li>Bill waterfall was reviewed. There was a discussion around the fact that the bill reflected an element of current customers paying for prior investments, as well as the cost of current operations and a contribution to future benefits for future generations, and it was agreed that this would be built into the narrative. It was noted that there was a significant external sentiment that water companies were asking for money to address under performance and that it needed to be made clearer that customers were being asked to contribute to the mortgage on previous investment in the infrastructure being used currently. The importance of emphasising that water companies were the stewards of assets held for future generations was also noted.</li> <li>It was noted that Ofwat had confirmed that they were happy for companies to update the WACC for current market rates, if the Ofwat methodology was used.</li> <li>The Committee discussed the latest version of the Board Assurance Statement.</li> <li>The Committee then acknowledged the astonishing amount of work that had been done by the whole team and thanked them for their hard work.</li> </ul>
Sep-23	Audit & Risk Committee	<ul style="list-style-type: none"> <li>Reviewed the completion of the assurance plan. Reviewed the final Board Assurance Statement, supporting evidence and assurance completion. Agreed recommendation to Board to sign the Board Assurance Statement and to confirm completion of the assurance plan, noting the risks and challenges experienced during delivery of the programme.</li> </ul>
Sep-23	Board	<ul style="list-style-type: none"> <li>Approved the PR24 Plan and signed the Board Assurance Statement for the PR24 plan and for the long-term delivery strategy.</li> </ul>