

Risks, Strengths & Weaknesses Statement

November 2015

It's part of our
Blueprint for Yorkshire



Foreword

In our Business Plan for 2015 – 2020 we made some clear promises based on what our customers told us was important to them and we're committed to ensuring that they, and other stakeholders, can have confidence that we are meeting our commitments.

To do this we aim to provide accurate and accessible information that clearly demonstrates the delivery of the high levels of service our customers expect and, in the event of us not meeting our commitments, what we plan to do about it and what action customers can expect to see. This information will allow customers and stakeholders to hold us to account for delivery of their service expectations.

We have a clear commitment to reporting accurate information so that our customers and stakeholders can trust what we tell them and have confidence in our performance reports. To ensure we understand the reporting expectations of customers and stakeholders we have completed an engagement programme to find out their views of us, our historical reporting and their confidence in our assurance systems. This exercise has allowed us to understand their views on the risks, strengths and weaknesses in our reporting and assurance processes, allowing us to consider what more we can do to retain their trust and confidence in us.

We recognise the importance of engaging and empowering our customers to understand and challenge what we are doing and why we are doing it. We also recognise this process as a key step to help us listen to their feedback and improve the way in which we engage with all our customers and stakeholders.

We report our progress annually and aim to make this information freely available to everyone in a way that they can access and understand. However what is clear is that not all customers are aware of the information we provide or how it relates to them. This is something we are committed to improving.

To ensure quality and accuracy of the information we report, each year the Board confirms that it has sufficient processes and internal systems of control to meet its obligations. The Board uses a series of internal and 3rd party controls to scrutinise and validate its Annual Performance Report. This allows the Board members to confirm that they have taken all the steps that they ought to have in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor and Reporter are aware of the information.

The Board receives a presentation explaining the nature of the company's procedures and practices for compilation of our Annual Performance Report. The Board Audit Committee, on behalf of the Board, also receives an overview of the process and any key issues from the company's independent technical auditor team. This allows the Board to have confidence in the rigour and assurance sitting behind our reporting.

In 2006/07, we received ISO 9001:2000 certification for our Annual Performance Reporting process. This certification has been maintained since then (now ISO 9001:2008), and the company continues to use these processes and systems to provide continuity, consistency and accuracy of its annual reporting.



Signed on behalf of the Yorkshire Water Services Limited Board of Directors

1. Introduction

During 2014-15 Ofwat reviewed the reporting of all water only and water and sewerage companies, classifying them into one of three Assurance Categories. The majority of the companies (including Yorkshire Water) were placed in the “targeted” category. This recognised that while these companies deliver accurate and reliable information, there remains an opportunity for further improvement that would reinforce the confidence customers and stakeholders have in our reporting and thereby the delivery of our performance commitments to them.

In June 2015 Ofwat published its Final Position paper on its 'Company Monitoring Framework'. This framework sets out the way in which companies provide performance information to their customers and stakeholders between 2015 and 2020. The aim of the framework is to ensure customers and stakeholders have confidence and trust in the information being reported and how this is assured.

In July 2016 we will publish our Annual Performance Report for 2015-16. This will enable our stakeholders and customers to understand how we have performed in delivering the performance commitments we made to them, accompanied by measures of financial performance.

2. How we assure our information

Yorkshire Water recognises the importance of providing clearly presented information around service performance. It also believes that information needs to be subject to independent technical scrutiny and customer representation. To this end, we have established processes for service performance reporting that are certified to ISO 9001:2008 and which has three lines of defence.

- The data and analysis used to compile the performance information we report is subject to internal review by team managers and senior managers before being presented to the responsible Director.
- A 3rd party review and challenge is completed by a recognised independent water industry consultant.
- The Board Audit Committee, the Board and the independent Customer Forum annually approve the performance information we will report to be a true and accurate assessment of Yorkshire Water's delivery of its performance commitments.

This ensures that Yorkshire Water's reported service performance data is robust, transparent and legitimate.

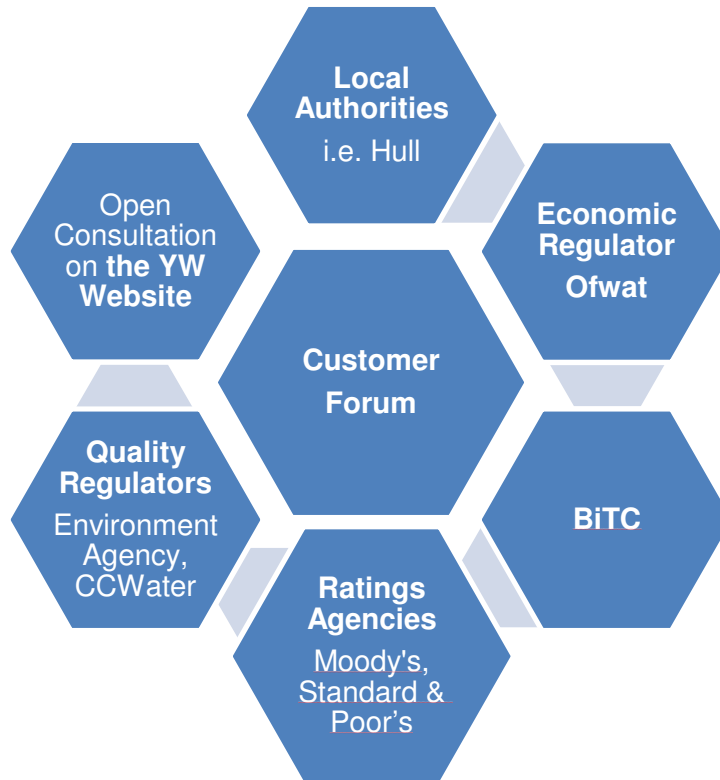
We have been following this ISO 9001:2008 certified approach for a number of years. This has the added benefit of driving continuous improvement in our reporting processes, which in turn mitigates any issues or risks associated with the consistency or accuracy of our reports.

3. How we carried out our consultation

We want to provide information that is accessible, accurate and transparent so that our stakeholders and customers can have confidence and trust in us and in what we do. Ofwat acknowledges that each company is best placed to identify, through discussion with its stakeholders, the risks, strengths and weaknesses associated with providing its service performance information and also to identify any opportunities for targeted improvement.

During October we undertook a direct, targeted consultation with key stakeholders including Customer Forum¹ members and regulators using face-to-face or telephone interviews supported by an online survey via a link on the home page of our website.

We sought a range of stakeholder views from both customer and business representatives as well as from regulators and ratings agencies to ensure that we gathered a balanced view from a diverse range of stakeholders. A summary of the organisations consulted is set out below.



We also considered the assurance findings from 3rd party independent technical assurance from 2014-15. The key risks/areas for improvement from this audit were reported to the Board and are already included into our improvement plans. A summary of findings is provided as part of section 4 of this document.

4. What our stakeholders told us


- Confidence in our reporting is very high with good awareness of what and when we report data
- Levels of assurance are considered strong with good awareness and appreciation of how this process works. Further confidence is provided through independent third party validation of our data.
- Satisfactory process and procedures are in place for performance commitment reporting
- Data quality is extremely important to all our stakeholders
- We should do more to communicate our strengths and successes to improve confidence and trust as well as being transparent on the risks and issues we face.

However we need to focus on the following to ensure we continue to meet these high standards and build greater engagement and awareness of our performance with our customers as well as our stakeholders, recognising the role they will play between 2015 and 2020:

¹The Customer Forum is an independent group of experts, who represent the needs of customers and the environment in our region.


- Communication and Engagement with customers on our performance – Inform. Engage. Empower.
- How we present performance information - financial and operational – making it meaningful and useful to our customers.
- Visibility and transparency of assurance processes externally
- Visibility and transparency of how performance shortfalls and risks are dealt with

A summary of the feedback received is set out below:




Risks

- Differences in some performance measure definitions between the company and regulators could lead to perception of reduced service levels
- Providing insufficient transparency of the assurance process
- Failure to make information visible to stakeholders & customers
- Not presenting the information in a clear and understandable form
- Reliance on data from our suppliers and partners



Strengths

- The Company is trusted to do what it says it will do
- Transparency of performance reporting
- Accuracy of performance reporting
- Frequency of engagement with stakeholders
- Strong performance reporting processes
- Positive working relationships with stakeholders



Weaknesses

- Engaging customers in understanding performance
- Using terminology that makes the data inaccessible – too technical
- Presenting data in a more visual and engaging way
- Clear presentation of the assurance of the performance information
- Making use of our networks to extend the reach of the reporting
- Demonstrating how we manage risk and resolve issues for stakeholders

5. What we are going to do

Based on the feedback we have received from stakeholders we plan to make the following improvements when we publish our annual performance report in July 2016. This will address the key points raised by our stakeholders with the aim of gaining greater engagement with customers and retaining the trust and confidence they have in us.

A summary of our proposed actions is set out below.



We will publish our draft **Data Assurance Plans** for consultation covering:

- How we intend to assure data from our 3rd party suppliers.
- How we intend to ensure clarity of reporting between us and our regulators.

We will develop a **Communication and Engagement Plan** focusing on:

- Researching how our customers want to interact with us.
- Presentation of reporting information and format of the data.
- Making the information more accessible and meaningful for customers.
- Building a continuous customer and stakeholder engagement approach.

We will work to improve transparency by:

- Publishing information on our assurance processes and their findings.
- Publishing performance shortfalls, risks and resolutions.
- Communicating our positive achievements.

We will publish our **Reporting and Assurance Process Document** to:

- Provide clarity and detail on how we assure the information we present.
- Demonstrate how we plan to hold ourselves to account for our performance.

6. Next Steps

Based on the stakeholder feedback and proposed actions set out in this document we will review and publish our draft Assurance Plan for further consultation. This will expand on the points made in section 5, providing greater clarity of our intended reporting for 2015-16, building on the recognised strengths as confirmed by our stakeholders and 3rd party assurance consultants.

We expect to commence the consultation in January 2016, but if you would like to provide any feedback on this document prior to the commencement prior to January 2016, we would be happy to receive it.

You can do this by sending any comments to either the email address or website link set out below:

Email: publicaffairs@yorkshirewater.co.uk

Website: <https://www.yorkshirewater.com/contactus>

You can find copies of our previous performance reports at: <https://www.yorkshirewater.com/about-us>



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