

# Risk and Compliance Statement 2020/2021

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YorkshireWater

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# Contents

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# Introduction

## Purpose and scope of the risk and compliance statement.

**The uninterrupted supply of sufficient clean, safe drinking water and removal of wastewater is an essential service we provide for our customers.**

To make sure this is achieved in a way that is safe for all our customers, whilst protecting and enhancing the environment and keeping our colleagues safe and well, we need to comply with a range of regulatory and legal obligations. We recognise that openly reporting our level of compliance with these obligations, and reporting how this has been achieved, is important in building customer confidence.

This statement sets out how we have complied with all our relevant statutory obligations and our Instrument of Appointment (licence), regulatory and performance obligations, where Ofwat is our regulator. It allows us to demonstrate our accountability to our customers and demonstrates to Ofwat how we are complying with its obligations.

This statement covers the reporting year 1 April 2020 to 31 March 2021 for all obligations, except for environmental compliance and water quality parameters which cover the calendar year, 1 January 2020 to 31 December 2020.

## The statement is in two sections:

- **Section 1:** The Board assurance statement confirms the extent of our compliance with our obligations. It is signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board.
- **Section 2:** Outlines the processes and assurance we have in place to achieve compliance and meet our obligations.

# 1. Board Assurance Statement



# Section 1

## Board Assurance Statement

As the Board of Yorkshire Water Services, we are satisfied that we have sufficient processes, systems of internal control and assurance in place to allow us to confirm that:

- We have a full understanding of all our statutory, regulatory and licence obligations.
- Subject to the exceptions noted in [Table 1](#), we are meeting all these obligations.
- We have taken appropriate steps to understand and meet the expectations of our customers.
- We have designed our services to meet those expectations, including the value of water bills our customers are willing and able to pay.
- We have sufficient processes and internal systems of control to fully meet our obligations.
- We have appropriate systems and processes in place to allow us to identify, manage and review our risks.
- Our risk management process identifies and escalates risk to be managed to the level reported.
- Considered the financial impact of a range of severe but plausible risk scenarios materialising to enable us to provide reasonable assurance that the Company will be able to continue in operation and meet its liabilities as they fall due over the next 8 years, to 2030, as set out in our long-term viability statement which can be found in our Annual Report and Financial Statements.
- Sufficient rights and assets available to enable a special administrator to run the Company if such an order was to be made (licence condition P).
- Made sure that all trade with associate companies in the year has been at arm's length (licence condition P).
- Maintained the investment grade credit rating Baa2 (licence condition P).
- Explained how we link Directors' pay to standards of performance which can be found in our Annual Report and Financial Statements and Section 6. Board, leadership, transparency and governance of our Annual Performance Report (section 35A of the Water Industry Act 1991).
- Reported in [Table 1](#) of this risk and compliance statement where we have not achieved the level of performance agreed in our final determination.

We confirm that we achieve Ofwat's ambitions for transparency by:

- Providing information to customers in line with Ofwat's information principles.
- Involving customers and their representatives in improving our approach to providing information.

We confirm that we have:

- Provided Ofwat with assurance that we have sufficient financial and management resources to enable us to carry out our regulated activities (licence condition P).

The Board confirms that, over the period covered by this statement, it has complied in all material respects with its relevant statutory, licence and regulatory obligations that have not been confirmed by other processes, and that it is taking appropriate steps to manage the risks it faces.

# Section 1

## Principles of Corporate Governance

The Board is committed to achieving the highest standards of corporate governance in accordance with the requirements of company law, current best practice, the UK Corporate Governance Code (the Code) and Ofwat's Board Leadership, Transparency and Governance Principles.

The Board has reported in detail on our compliance with the Code and the Ofwat Principles in Section 6. Board, leadership, transparency and governance of the Annual Performance Report.

Additional detail is also provided within the Annual Report and Financial Statements. Both reports can be viewed on our reports webpage: [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

# Section 1

## Exceptions

The following exceptions to achieving our obligations have been shared with Ofwat.

**Table 1**

Obligation	Yorkshire Water position	Action being taken to improve
<p><b>Water Industry Act: maintain maps of their sewers. Clause/section 199.</b></p> <p><b>Subject to subsections (6) to (8), it shall be the duty of every sewerage undertaker to keep records of the location and other relevant particulars.</b></p>	<p>The Water Industry Act places an obligation on wastewater companies to maintain maps of their sewers.</p> <p>In common with all other wastewater companies in England and Wales not all our sewers are mapped.</p>	<p>We continue to improve our maps as we perform work on our wastewater networks.</p>
<p><b>Performance commitment.</b></p> <p><b>For 2020/2021 we have met or exceeded 29 of our 44 performance commitments.</b></p>	<p>For 2020/2021 we have not met the target for the following 15 performance commitments.</p> <ol style="list-style-type: none"> <li>1. Water quality compliance</li> <li>2. Water supply interruptions</li> <li>3. Per capita consumption</li> <li>4. Mains repairs</li> <li>5. Priority Services for customers in vulnerable circumstances</li> <li>6. Internal sewer flooding</li> <li>7. Treatment works compliance</li> <li>8. D-MeX</li> <li>9. Education</li> <li>10. Priority services awareness</li> <li>11. Gap Sites</li> <li>12. Managing void properties</li> <li>13. Significant water supply events</li> <li>14. Repairing or replacing customer owned pipes</li> <li>15. Bathing water quality</li> </ol>	<p>We also have a new performance commitment for AMP7 which is yet to receive corrigenda based on the amount of enhancement expenditure allowed specifically for Hull and Haltemprice. This is titled 'Living with Water'.</p> <p>You can read more about our performance and any actions we are taking in section 3 of our Annual Performance Report.</p> <p><a href="https://yorkshirewater.com/about-us/reports">yorkshirewater.com/about-us/reports</a></p>



# Section 1

All senior leaders across the Company confirm their team's awareness and level of compliance with the corporate policies which are designed to ensure we meet the requirements of our highest risk statutory and regulatory obligations. They develop action plans to address any areas of non-compliance in their team. The results of this Evaluation of Compliance process show 94% compliance. This is a significant improvement from the 89% reported last year. This stepped change is due to the completion of 169 improvement actions agreed and the more settled senior leadership across the business, who are increasingly familiar with our core policies.

In addition to the company-wide programmes leaders have agreed 227 actions to improve awareness and compliance. Progress in delivering these is monitored by Yorkshire Water Leadership Team and the Audit and Risk Committee.

## Board Signatures

Signed by the Yorkshire Water Services Limited Company Secretary on behalf of the Board of Directors.



**Kathy Smith**  
Company Secretary

This statement was approved at a meeting of the Yorkshire Water Board on 07 July 2021 and signed off on its behalf by Kathy Smith, Company Secretary.

# **2. Assurance to confirm compliance**



# Section 2

## Assurance to confirm compliance

### We have a full understanding of all our obligations

Our activities are governed by a range of legislation as well as the requirements of our licence, regulations set by various stakeholders and the performance commitments we make to our customers. It is important that we understand the detail of all these obligations and respond to any changes.

To make sure we achieve this, we employ relevant subject matter experts. They are responsible for identifying new or amended obligations, and for translating the requirements into compliant policies and procedures for colleagues to follow.

Our specialists include Legal Services, the Regulation team, Company Secretariat, Financial Services, Health & Safety, Environmental Services and Human Resources.

If needed, these teams draw on deeper external expertise to ensure that any changes to our obligations are appropriately applied.

### We understand the extent to which we meet those obligations

Compliance with the approved policies and procedures to make sure we achieve our obligations is monitored through our three lines of assurance. This assurance is mapped to make sure we have effective coverage and dynamic escalation of risks and issues. Corrective actions are raised and monitored where weak controls or non-compliance is identified.

To support and test this approach, all senior leaders are required to provide personal assurance over their team's awareness and compliance with relevant obligations by completing an annual Evaluation of Compliance (EoC). The Champions set out the policies each team needs to be aware of and comply with. Where senior leaders identify weaknesses, they are required to detail the actions they are taking to improve awareness and achieve compliance, including a reasonable timescale.

The achievement of these actions is monitored by business unit leadership teams, the Yorkshire Water Leadership Team and the Audit and Risk Committee. The results of the EoC exercise is triangulated with other sources of assurance: Internal Audit tests individual judgements on the level of compliance to supporting evidence.

The EoC outturn for 2020/2021 indicates a high level of compliance across Yorkshire Water at 94%. All senior leaders assessed themselves fully compliant with 43 key policies. There has been a significant improvement in the level of awareness and compliance with the General Data Protection Regulation and we are improving our induction processes. We are still working to improve our awareness and compliance with the working time regulations.

### Our ongoing engagement with customers and stakeholders ensures we continue to understand and meet their changing needs and enables us to design our services to meet those expectations.

The 5.4 million people who live in Yorkshire and the millions of people who visit Yorkshire each year rely on our services for their basic health needs and lifestyles. There are more than 140,000 businesses who use our water to provide goods and services that support the economy, not just in Yorkshire, but the whole of the UK.

Over the course of 2020/2021, the impact of the COVID-19 pandemic changed the way in which we engaged and communicated with our customers and stakeholders. Rather than the traditional approach of talking to customers about what we do as a company, our focus has been on understanding the impact of COVID-19 on individual lifestyles and how the pandemic shaped what customers wanted, needed and expected from us. With the help, support and challenge from the Yorkshire Forum for Water Customers, we have been able to develop a much richer understanding of the diversity of Yorkshire's people, their individual needs and how best we meet these now and into the future.

## Section 2

Our Corporate Affairs Team undertakes continuous customer and stakeholder engagement to inform and shape our long-term strategy and day-to-day service delivery. This participation has been crucial to the development of our business and operational planning, particularly ensuring the continuous and safe delivery of our services throughout the pandemic. The team employs a range of research and wider engagement techniques to ensure customers and stakeholders provide us with timely insight to inform and support our ongoing activity.

These include:

- An online customer community of more than 1000 customers, representative of the Yorkshire region who take part in regular surveys and discussions on a range of sector and business issues.
  - An ongoing programme of qualitative and quantitative customer research to inform our plans and to test key initiatives, for example during 2020/2021 customers have been central to the development of our customer communications and service delivery during the pandemic.
  - Continuing to work with the Yorkshire Forum for Water Customers who ensure our customers have a fair say in the development of our plans.
  - An independent survey of our key stakeholders on their views on Yorkshire Water, how we work with partners and our priorities, to be repeated every two years.
  - A stakeholder account management programme, with stakeholders assigned an account manager from Yorkshire Water to lead on developing opportunities to work together.
  - Political monitoring and sentiment analysis to understand the expectations and priorities of politicians.
  - The continuous measurement and reporting of customer and stakeholder reputation management.
- In 2020/2021, this engagement with customers and stakeholders has resulted in:
- The development of a number of regional partnerships which aim to provide a post-COVID-19 boost to the regional economy, whilst also addressing key challenges facing the region, such as flooding, climate change and social mobility.
  - Partnerships which include a new multi-agency flooding partnership in the Don catchment, a partnership with the Trades Union Congress (TUC) to provide career support and employment to 75 young people as part of the government's Kickstart scheme, and continued work through the Leeds Anchor Network to help boost local employment, business growth, skills, incomes, health and wellbeing.
  - The continued growth of the Yorkshire Land Network, which now represents landowners covering more than 30% of Yorkshire. This year the network has focused on issues including carbon offsetting, Nature Recovery Networks and the challenges faced by landowners as more people enjoy accessing the countryside as COVID-19 restrictions ease.
  - Continued high levels of brand perception, trust and customer satisfaction with the delivery of water and wastewater services.

## Section 2

### **We have sufficient processes and systems of internal control to meet our obligations.**

The Audit and Risk Committee monitors the effectiveness and operation of Yorkshire Water's system of internal control on behalf of the Board. Our controls are designed to achieve compliance with obligations and manage the risk of failing to achieve the business objectives we have agreed with our customers and our regulators. The operational policies and procedures which set out these controls are housed in the Integrated Management System or similar repositories and achieve international quality standards for Environmental Management, Quality Management, Occupational Health and Safety and Asset Management.

We seek to continually improve the approach to assessing our compliance. In 2020/2021, we have focused the senior leader self-assessment on the core business policies put in place to ensure we meet the requirements of statutory and regulatory obligations. We have involved the subject matter experts and our organisational development team more formally in the process. This allows them to see any weaknesses and to work together to address them early. We are also conducting a learning survey to identify any opportunities for further improvements.

## Section 2

### **We have appropriate systems and processes in place to allow us to identify, manage and review our risks. Our risk management process identifies and reports risks to the appropriate departments.**

Effective risk management is central to achieving our objectives. It improves our ability to prepare for challenges and protects the value of the Company. Risk management is embedded in our normal business process and culture and is overseen by the Audit and Risk Committee. It provides a standard approach to make sure that risks, including potential non-compliance with our obligations, are identified and escalated in a timely way and are managed by the relevant sections of the business. Our risk management framework and the principal risks to achieving our objectives are detailed in our Annual Report and Financial Statements.

#### **Regulatory obligations at risk**

Based on 2020/2021 performance, and using our performance commitments as indicators of compliance, the Board has identified the following material risks to achieving specific performance commitments in future years.

#### **Water quality compliance**

The target for the Compliance Risk Index (CRI) is set as zero, we scored 2.46 for 2020/2021. Although no water and sewerage company has ever achieved a CRI of zero, no level of exceedance of water quality standards can be considered acceptable. Although CRI scores can be quite variable, water quality compliance is a result of long-term investment and improvement programmes. We have never achieved 100% compliance in the past and therefore consider meeting this performance commitment as a risk in future years.

#### **Treatment Works Compliance**

Similarly to 'Water Quality Compliance', the target for this performance commitment is set as 100% as no level of failure of treatment works standards can be considered acceptable. There is however a 'deadband' of 99% which only performance under this would result in an underperformance penalty. We achieved 99.04% for 2020/2021 so are within the deadband. We expect to perform between 99% and 100% in year 2.

#### **Water supply interruptions and Significant Water Supply Events**

Future adverse weather conditions impacting the level of network failure is a significant corporate risk. Given the evidence to suggest that we will continue to experience the effects of global warming, the impact of this is something that will continue to be monitored and managed. Projects to increase our resilience, such as our water supply system assessments and associated internal reporting are designed to mitigate future risks. Also, in year 2 of AMP7 our Service Partner resource structure is set to change, moving from one established partner to two. We anticipate there may be initial embedding issues with the new partner Network Plus, but also see this as an opportunity to drive performance metrics around interruptions and increase response. 2020/2021 saw Water Supply Interruptions performance of 00:07:14 per property against a target of 00:06:30 and there were 19 Significant Water Supply Events against the target of 14 for the year.

#### **Per Capita Consumption**

Per Capita Consumption (PCC) is calculated as a percentage reduction in consumption against a baseline calculated from previous years usage. 2020/2021 saw performance of 3.40% increase against a target of a 2.40% reduction. Contributing factors will have been the drastic change in water consumption habits caused by the COVID-19 pandemic as significantly more people are working from home as opposed to being office based. We will continue to increase our understanding of consumption and leakage as we assess the data from a Smart Metering trial, we have proceeded with in 2020/2021 with the aim to improve our performance for year 2.

## Section 2

### Internal Sewer Flooding

The number of Internal Sewer Flooding incidents normalised per 10,000 sewer connections for 2020/2021 was 3.32 against a target of 1.68. Our Internal Sewer Flooding target will be extremely difficult to achieve next year. The regulatory target for year 2 is 383 incidents which would be a 51% reduction in reportable incidents compared to 2020/2021 year's outturn. During 2021/2022 we will be working on delivering an efficient proactive programme, to reduce repeat incidents and to minimise the impact on our customers.

### D-MeX

2020/2021 saw us rank as 16th out of 17 in the D-MeX company comparison table. There is a strong risk of underperformance against this performance commitment for next year. Our work to review results and feedback, along with identifying process improvement areas that will benefit customer experience, is all taking place to improve our performance for D-MeX in 2021/2022.

### Education

2020/2021 proved to be very difficult to achieve the target for Education. This was due to education centres and schools closing for large periods of the year due to the COVID-19 pandemic. We registered 7,076 education hours against a target of 20,000 but we believe that we will meet the target for the next year. However, we are reliant on the COVID-19 situation remaining stable, schools being fully functional and our education centres reopening, therefore we still consider this to be a risk

### Bathing Water

Due to the COVID-19 pandemic, DEFRA were unable to produce the data for bathing water in England for 2020/2021. We are wholly reliant on this data to be able to report the number of designated bathing waters which exceed the European Union Bathing Water Directive requirements. There is a risk that this will be repeat in year 2.

### Priority Services for customers in vulnerable circumstances & Priority Services Awareness

One of the challenges to achieving this performance commitment in 2020/2021 was that one of our main methods to identify vulnerable customers was via front line workers attending site jobs. The COVID-19 pandemic severely restricted face-to-face engagements with our customers. There is a risk that this repeats in year 2.

For the performance commitments that we failed for 2020/2021, that are not explained as a risk for year 2, we believe everything is in place to achieve our promised level of performance. This is due to process and reporting improvements made for these performance commitments along with the learnings we have made in 2020/2021.

## Section 2

### Assuring our performance

We always want to provide our customers and stakeholders with information that they can trust. We understand that when we don't get this right we risk losing their trust and confidence.

To achieve confidence in the accuracy of our information we work to a risk-based assurance plan. This means we carry out a risk assessment to identify the processes that have a higher chance of deviating from the process and lowering confidence in our data. We check all data, but this best practice approach means that we gain more assurance in those areas with a higher risk of error associated with the information or with the publication.

As well as the probability and impact of any errors, our risk assessment also takes into consideration wider impacts. This includes engagement with our customers, wider stakeholders and conducting horizon scanning activities to understand how our customers' needs and regulatory requirements might change. We consult our customers and stakeholders to understand what is important to them and we publish their input in our Final Assurance Plan and commit to taking actions that address these concerns. We also identify what risks may be on the horizon and explain what actions we will take to mitigate any risks.

We apply 'three levels of assurance' to our data and processes. This allows us to have checks over all elements of our processes by different people who bring different expertise to their checks. In addition to the routine assurance over our operational processes and systems of internal control, we have two assurance processes to confirm the accuracy, consistency and transparency of our annual reporting:

- A data assurance process is in place to make sure that the data supporting the information we publish is accurate.
- A wider assurance process ensures that the overall publication meets any guidance and that the publication is accessible and easy to understand.

Our assurance processes are detailed further within our Final Assurance Plan, which can be found here: [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

We can confirm that we have followed these processes for the Annual Performance Report.



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