

Risks, Strengths & Weaknesses Statement

November 2016

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. We are committed to ensuring that our customers 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.

We recognise the importance of engagement in 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 gather your feedback and continue to improve the way in which we engage with all of our customers and stakeholders. This consultation has allowed us to understand a wide range of views on the risks, strengths and weaknesses in our reporting and assurance processes.

We report our progress annually and aim to make this information freely available to everyone in a way that is accessible and easy to understand and relate to. Our engagement tells us that not all of our customers are aware of the information we provide or can see 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 Yorkshire Water Board (The Board) review how we have gathered our information and confirm that it has sufficient processes and internal systems of control to meet its obligations. The Board uses a series of internal and third party controls to scrutinise and validate our annual performance reports. The Board receives a presentation explaining the nature of the company's procedures for the compilation of our reports. 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 certification for the Quality Management Standard ISO 9001:2000 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 all of our customers and stakeholders have in our reporting and thereby the delivery of our performance commitments to them.

In November 2015 we published our first Risks, Strengths and Weaknesses Statement followed by the publication of our Assurance Plan in April 2016. These documents provide the results from our risks, strengths and weakness review and the actions we have committed to as a result. These documents also describe the approach we follow to give our customers and stakeholders confidence in the information we provide. A summary of the progress made against the key actions from this process is provided within this document.

In July 2016 we published our first Annual Performance Report for 2015-16. This report provides you with information on how we have performed in delivering the commitments we made, accompanied by measures of financial performance.

Following the publication of the Annual Performance Report, and in response to the feedback we received as part of last year’s consultation we also produced a customer focused performance report, ‘How we’re delivering on our plan, Meeting our commitments 2015-16’. This approach, endorsed by the Yorkshire Water Customer Forum Chair, is aimed at ensuring our reporting is meaningful and useful to **all** of our customers and stakeholders.

This Risks, Strengths and Weaknesses Statement has been developed using the following approach:

1. Reflection of feedback and conversations with customers and stakeholders received through our ongoing engagement programme.
2. Direct consultation with customers and stakeholders about how we report our performance information, and how trusted this information is.
3. Consideration of the findings from the independent technical assurance reviews undertaken as part of our regulatory reporting processes.

2. How we assure our information

We recognise the importance of providing clearly presented performance information. We also know that to follow best practice in this area the information needs to be subject to independent technical scrutiny and customer review. To this end, we have put in place a well-structured assurance process for the information we publish. Our assurance is certified to the Quality Management Standard ISO 9001:2008 and our processes are designed with three lines of defence.

- The data and analysis used to compile the performance information we report is subject to internal review and sign off by team leaders 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 Yorkshire Water Customer Forum annually approve the performance information we will report to be a true and accurate assessment of the delivery of our performance commitments.

This process ensures that our reported service performance data is accurate, robust, transparent and legitimate.

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

A detailed overview of our assurance approach and processes is provided in our Assurance Plan which is available on our website.

We also have a company-wide risk management framework which supports the dynamic and integrated identification, assessment, escalation and management of risk. Engagement with our risk management team is undertaken to discuss any key risks emerging from the Risks, Strengths and Weaknesses review and to understand any internal risks which may need to be addressed in our conversations with our customers and stakeholders to ensure transparency and trust is maintained.

3. Progress on 2015-16 Feedback

As part of our ongoing programme of improvement for reporting and assurance the following table sets out our progress on the key actions as part of last year's risks, strengths and weaknesses review. This also captures the additional actions identified that we will continue to take forward in the areas to drive further improvements.

In our 2015 Risks, Strengths and Weaknesses Statement we committed to responding to the feedback we received focusing on the areas described in Table 1. For each of the areas we identified actions to take forward, also detailed below is an update of the progress we have made against these:

Table 1

Key Action Areas	Progress Made	Continuing Improvement
We will publish our draft assurance plans for consultation	<ul style="list-style-type: none"> - Draft Assurance Plan published and consulted on. - Final Assurance Plan published on our website. - Continual improvement process established to ensure that our assurance process reflects the findings from our Risks, Strengths and Weaknesses Statement and Assurance Plan. 	<ul style="list-style-type: none"> - Annual review and update of Assurance Plan. - Annual continuous improvement and management review of our processes. - Escalation process in place for any emerging risks raised through consultation to be fed into the company wide risk management processes.
We will develop a communication and engagement plan focused on building a continuous engagement approach	<ul style="list-style-type: none"> - “This is Yorkshire” campaign launched following extensive customer research. - Customer engagement via social media activity increased to over 10% of customers. - Over 20% of customers recall seeing the ‘This Is Yorkshire Water’ campaign. - Improved brand and value for money perception. 	<ul style="list-style-type: none"> - Launch of innovative customer community hub providing an online forum enabling ongoing engagement. - Continuing engagement through “This is Yorkshire” campaign. - YW website review underway. - Ongoing stakeholder contact programme in place.
We will work to improve transparency	<ul style="list-style-type: none"> - Publication of assurance processes in our Assurance Plan. - Assurance findings from our 2015-16 annual reporting included in our Annual Performance Report. - Publication of our customer focused performance report providing information on our achievements, shortfalls and improvement plans. 	<ul style="list-style-type: none"> - Annual publication of key assurance findings. - Review of annual reporting documents using feedback from sector reviews. - Review of how we use social media and our website to communicate key information outside of annual reporting.
We will publish our reporting and assurance process document to provide clarity and demonstrate how we hold ourselves to account for our performance	<ul style="list-style-type: none"> - Included as part of the Assurance Plan published. 	<ul style="list-style-type: none"> - Annual review of processes to ensure continual improvement.

4. Consulting with our Customers and Stakeholders 2016

We want to provide information that is accessible, accurate and transparent so that you can have confidence and trust in us and in what we do.

We recognise that trust is built through providing information that is easily understood and meaningful by transparently and proactively responding to any concerns that are raised.

The feedback we have received from our stakeholders positively indicates that they have a strong sense of advocacy and trust in what is reported as well as how we report information to them. They recognise the work we have done to strengthen relationships and work collaboratively. We also received feedback that acknowledges the strengths of our well established performance reporting and assurance processes. There was also recognition of the steps we have already taken from the previous feedback provided to us.

To continue to improve, our customer feedback tells us that while the development of a customer focused report is considered a positive step forward in our approach, more can be done to ensure that our customers are aware of and have access to our reports. We will continue to review how we ensure the way in which we provide performance information is relevant to our customers' individual experiences.

The following sections describe in more detail how we have engaged with our customers and stakeholders, what we have learnt from these conversations and how we will respond to and address concerns emerging from these conversations.

4.1. Ongoing Engagement

As part of the work we do every day we are constantly engaging with our customers, key stakeholders and regulators. This is achieved through the work we do at both an industry and regional level to resolve issues and progress new initiatives, through working in partnership and by listening to what our customers tell us.

We have well established and open channels of communication with representatives from our key regulators such as the Environment Agency and statutory bodies such as the Consumer Council for Water through meetings, information provision and proactive stakeholder engagement.

We have a programme that ensures we hear the views of a range of elected representatives, council and local authority representatives including annual meetings between our Chief Executive, Directors and the Chief Executive of all the local councils in Yorkshire.

We also have regular meetings and interaction with wider stakeholders, for example through the partnership working we do to address flooding issues and improve the land and coastal waters within Yorkshire. This is in addition to the highly praised work we have carried out over the last year, alongside other organisations, to improve our understanding and develop appropriate packages to support customers who may be experiencing circumstances that make them vulnerable.

Alongside our annual performance reports we continually seek feedback from our customers through our customer service channels, website and ongoing customer research to discover and resolve any issues arising quickly. We have developed our Customer Voice tool, a text based system which enables us to receive and respond to feedback quickly to improve our customers' experiences of our services. Customer Voice provides us with a live, continual measure (shown as a score out of five) of how our

customers rate our service following interaction with us. We also invite customers who are dissatisfied with a service we have provided to either meet with us in person or talk to us via a telephone conference to share their experiences. We take the learning from these conversations to continually review and enhance our service provision.

Case Study – learning from the use of social media:

Social media is recognised as a powerful tool, we have developed our social media profile to help us engage with, and get feedback from customers on a day-to-day basis. The benefits of this approach in responding to customer issues was demonstrated when a trunk main pipe supplying water to around 5,500 households in the Pocklington area of Yorkshire failed. This was an unusual burst which had a significant impact leaving customers without mains water until the burst was fixed. The burst location was in a challenging location which meant it took longer than usual to fix because the pipe had failed where it crossed a large stream making it difficult to access and repair the burst.

The circumstances of the service failure could have led to significant loss of trust. We proactively used multimedia channels to inform our customers of progress to maintain customer awareness of what had happened and the action we were taking to resolve the issue. This approach resulted in customers understanding the situation as it happened and prompted high numbers of positive social media messages from our customers. Local stakeholders also praised our communication of the incident.

We recognise that while in this case the use of social media was beneficial in responding to customer issues it may not work for all customers, in all instances. An example of this was the water quality incident near Doncaster. In this situation our customers indicated that they preferred more traditional methods of sharing information.

One of the challenges we face is ensuring that we incorporate the views of all of our customers, including those who may be experiencing situations that make them vulnerable. To overcome this we have developed our approach to make sure that participation is easy and practical. This progressive approach will see us undertaking in-depth interviews with customers in their own homes. This allows us to hear individual experiences and discuss these in the most relevant and comfortable setting for our customers.

4.2. Stakeholder Consultation and Feedback

We sought a range of views from both customer and business representatives including financial representatives to ensure that we gathered a balanced view from a diverse range of stakeholders.

As part of this consultation we have undertaken conversations with our key regulators and stakeholders including Yorkshire Water's Customer Forum, the Consumer Council for Water, Natural England and the Environment Agency.

The Consumer Council for Water has independently undertaken a review of water company's Annual Performance Reports. The findings provided positive feedback to evidence some of our key strengths. This confirmed that 'the company is adequately reporting on priority areas of performance for customers...The commentary explaining why the company had either under achieved or over achieved against targets was clear and capable of being understood by customers'.

We directly approached wider stakeholder groups as part of this consultation process including local MPs, council leaders and chief executives although we have not received any responses to date from this group. The lack of response tells us that we need to work harder in this area to engage them on the performance information we report. We can explore this through our ongoing stakeholder contact programme where our Directors visit every local authority in Yorkshire at least once a year. We will continue to work with them to identify and address any risks or concerns they raise.

We spoke to representatives from the Ratings Agencies to reflect on the financial performance information we publish. We also spoke to representatives from Business in the Community to reflect our commitment to driving improvements as a responsible business.

We invited comment from these stakeholders on our regulatory reporting and assurance processes in general and specifically on the format, scope and level of information of our performance reports. With our regulatory stakeholders and Customer Forum members we held more specifically focused discussions to concentrate on areas important to them and the customer groups they represent.

While we did not receive specific feedback from the Drinking Water Inspectorate and Ofwat, we engage with both as part of everyday business processes. We continue to discuss and address any concerns or risks raised through these discussions.

What our Stakeholders told us:

- They are fundamentally happy with the information we report and how we report it.
- Confidence in our reporting is very high with good awareness of what and when we report data.
- We provide information on performance they want and find useful.
- We are sufficiently transparent in our reporting and levels of trust are high.
- Stakeholders recognise the progress we have made in collaborative working and responding to wider issues such as flooding.
- Ongoing engagement with the Customer Forum and key stakeholders is considered to be strong.
- 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.
- Good progress has been made in how we communicate performance information to customers through our customer based performance report.
- The use of case studies to help highlight particular areas of performance, and make this more translatable to customers, is seen as a positive step for engaging with customers.
- The launch of the ongoing continuous engagement programme “This is Yorkshire” is welcomed as a positive move forward in engaging our customers.
- Better availability of comparative performance information would help both stakeholders and customers in improving understanding of current performance and in helping to shape future performance decisions.
- Progressing how we report in a way which is relevant to customers own individual experiences is important.
- We should consider moving away from formulaic annual reporting to customers and whether a community focus approach could be beneficial.

There were concerns raised by our informed stakeholders specifically relating to two key areas which we have already, or will seek to address:

- Quality of our 2016 Price Re-opener Submission – The submission was assessed by Ofwat as proposing minor adjustments. Further information was requested to provide appropriate evidence on our business case.
- Visibility of the role and work of the Customer Forum to customers – A risk was identified that some customers are unaware of the work and challenge the Customer Forum provides to the company which could impact on the levels of trust and confidence they have. A specific area for the Customer Forum is currently being developed on the Yorkshire Water website.

4.3. Customer Consultation and Feedback

In 2015 we had a limited response from customers to this consultation. We therefore looked to improve this process in 2016 and we implemented a direct engagement approach. Following this an email was sent to 6,000 customers who have previously indicated that they are willing to be contacted by us. We asked our customers to complete a simple online survey about our customer reporting approach. At closing we received **430** customer responses to the survey. This is a significant improvement on the response rate we received last year.

The survey invited comments from our customers on the awareness, accessibility and transparency of our performance reporting and in particular their feedback on our customer focused report, which was published for the first time in August.

What our Customers told us:

- Access to transparent information is of high importance to our customers.
- Awareness of the reports we publish is currently lower than we would like.
- Most customers approved of the customer focused report we produced with over half agreeing that they were happy with the information in the report and felt that it was easy to understand.
- Our customers said that publishing our reports online feels right but alternatives such as paper copies should also be made available.
- Some customers felt the report could be clearer and could provide more information on long term issues or issues at a more local level.
- A small proportion of customers indicated that they had trust issues in relation to large private companies and responded negatively to questions of accuracy and trust.
- The use of industry jargon and terminology impacts on how well some customers understood the report. Others felt that the information provided could be simplified further or alternatively could include more detailed information on facts and figures.
- The majority of customers felt that they had more confidence in our reporting knowing that external companies assured our reports, although a wider understanding of the role other regulatory and industry groups have is needed.
- Risks and concerns customers have tend to vary and be related to their personal experiences rather than to specific concerns relating to our reporting and the trust they have in this.

5. Risks, Strengths and Weaknesses



Risks

- 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
- Loss of trust and poor perception of achievement through a lack of visibility of the Customer Forum process
- Further improvement needed to make information accessible & attractive to all customers to encourage engagement



Strengths

- Confidence in performance reporting is high
- There is a good balance in the information we provide to customers and stakeholders
- The customer focused report is a positive step in translating information to customers
- Development on a continuous engagement approach: This is Yorkshire



Weaknesses

- Customer awareness of the reports we produce and when we produce them
- Presenting data in a way that is relevant to customers experiences
- Making use of different channels and networks to extend the reach of the reporting
- Demonstrating performance in context to how we compare to other companies

6. Listening to what we've heard

Based on the feedback we have received from stakeholders we plan to make the following improvements, to address the key points raised by our customers and stakeholders and gain greater engagement, further improving the trust and confidence they already have in us.

A summary of the actions we will aim to address are set out below.



We will increase awareness of our reports

- Proactive use of communication channels and social media to raise awareness when reports are published
- Explore how we can utilise annual billing to include a copy of our customer report or signpost to raise awareness
- Effective linking and signposting to other reports and available information

We will continue to review and drive improvements to our reporting

- Make information relevant and meaningful to customers including use of case studies
- Continue to reduce jargon, simplifying language and avoiding acronyms
- Clearly signpost where more detailed information can be found
- Work with stakeholders to maintain the current positive perception and trust they have in us

We will seek to provide more comparative information in our reporting

- Promote with customers and stakeholder the comparative information available on www.discoverwater.co.uk
- Work with Customer Forum to inform current/future needs and how these can be addressed

We will introduce additional innovative ways of engaging with our customers

- Ongoing proactive engagement with customers through the new online community hub
- Home visits to enable feedback to be heard from customers considered to be vulnerable

We have a growing group of retailers supplying billing and other retail services to business customers. We are keen to engage with this increasing customer base and actively engage with them on our performance information. A new team within Yorkshire Water has been created to manage the contracts and relationships with new and existing Retailers entering the non household market. Since June 2016 this team have been actively engaging with Retailers through a number of channels and one to one sessions to discuss their requirements for working with Yorkshire Water.

Throughout the life cycle of the contract Yorkshire Water will be conducting a number of engagement events with Retailers from lessons learned reviews, gathering feedback through engagement surveys and implementing efficient continuous improvement programmes to ensure Retailers' views, needs and concerns are understood and incorporated into ways of working moving forward.

7. Consulting on Assurance Plan

Following the publication of this Statement we will review and update our Assurance Plan. This will ensure that the key findings from our assurance processes, and any risks identified as part of this consultation, are incorporated into our annual reporting processes for 2016-17. We will consult on our updated Assurance Plan early in 2017.

8. Next Steps

If you would like to provide feedback on this document or find out more about stakeholder and customer engagement opportunities you can get involved in, please contact us on the email address or website link set out below:

Email: publicaffairs@yorkshirewater.co.uk

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

More information about the reports referred to in this document can be found at <https://www.yorkshirewater.com/reports#ls3>

For further information about water company performance visit <http://www.DiscoverWater.co.uk>. This is a sector led 'dashboard' bringing together key information about water companies in England and Wales.



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