

# Risk and Compliance Statement FY24



Published July 2024



YorkshireWater

# How to view this document

## Contents page

Our contents page links to every section within this document. Clicking on a specific section will instantly take you to it.

- 1 Click on the contents button to return to the contents page.
- 2 This button takes you to the previous page.
- 3 This button takes you to the next page.

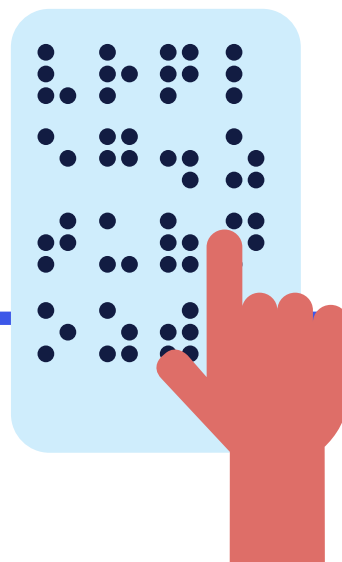
There are also many other clickable links within this document which we've made easy to spot by underlining and **highlighting** them in blue.

## Accessibility matters. That's why we want all of our customers to be able to engage, navigate, and understand our Risk and Compliance Statement.

By using assistive technology like screen readers, text-to-text speech programmes and Braille displays, we can provide equal access to anyone with visual, mobility, or cognitive impairments.

### We've taken steps to ensure this document supports additional accessibility needs:

- Screen readers will recite content in a logical order, as well as identifying headers and providing alternative text for images.
- Table of contents and bookmarks to aid navigation.
- Easy-to-read text that's structured using headings, clear paragraphs and tables.
- Comfortable colour contrast.



# Contents

**We've created colour-coded sections to help you to navigate this report easily. Just click on the section you are interested in on the contents page, and it will navigate you to that section.**

**The report is structured as follows:**

## **1. Board Assurance Statement**

**05**

This 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.

## **2. Assurance to confirm compliance**

**09**

Outlines the processes and assurance we have in place to achieve compliance and meet our obligations.

We have published our Glossary of Terms separately. You can view this here: [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

# 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 right for all our customers and the environment whilst 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 sought to comply with all our relevant statutory obligations and the conditions of our Instrument of Appointment (Licence), regulatory and other performance obligations, where Ofwat is our regulator. It allows us to demonstrate our accountability to our customers and demonstrates to Ofwat how we are seeking to comply with our obligations.

This statement covers the reporting year 1 April 2023 to 31 March 2024 for all obligations, except for environmental compliance and water quality parameters which cover the calendar year, 1 January 2023 to 31 December 2023.

### 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



# 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 clear understanding of all our statutory, regulatory and Licence obligations.
- We have appropriate systems and processes in place to allow us to identify, manage and review our risks to achieving compliance.
- Our risk management process identifies and escalates risk to be managed to the level reported.
- We have a strong Compliance Framework and systems of control to manage the risk of not achieving our obligations and where we are not 100% compliant all of the time we have robust, timebound plans to achieve compliance.
- Subject to the exceptions noted in [Table 1](#), we are meeting our obligations in all material regards.
- We have taken adequate steps to understand the range of expectations of our diverse customer base. We have sought to provide a service that best meets those expectations taking into account the requirements of other stakeholders, the sustainability of the Company and the level of water bills our customers are willing and able to pay.

## 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).
- 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 operating and meet its liabilities as they fall due over the next six 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 any new trade with associate companies in the past 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 (as required by section 35A 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 AMP7 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.

## Exceptions

The following exceptions to achieving our obligations are detailed in Table 1.

**Table 1**

Obligation	Yorkshire Water position	Action being taken to improve
<p><b>Water Industry Act:</b> maintain maps of their sewers, clause 199, 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.</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>The Environmental Permitting (England and Wales) Regulations 2016</b></p>	<p>The Environmental Permitting Regulations apply to the vast majority of our clean and wastewater sites. Permits granted under the Regulations govern the way in which we are obliged to operate our assets. Any instances of non-compliance with permits and/or the Regulations are reported to the Environment Agency. Such instances and any resulting enforcement action are a matter of public record. We continue to improve and enhance our compliance in this area with continued focus on any issues that arise.</p>	<p>Our action plan is comprehensive, encompassing an evaluation of our processes and an improvement to our systems, governance, and reporting mechanisms.</p> <p>We are working with the Environment Agency on progressing applications for new permits and permit variations as quickly as possible and this will be a key focus area moving forward.</p>
<p><b>Planning Conditions – Town and Country Planning Act 1990</b></p>	<p>The National Planning Policy Framework (NPPF) defines a planning condition as, ‘A condition imposed on a grant of planning permission (in accordance with the Town and Country Planning Act 1990) or a condition included in a Local Development Order or Neighbourhood Development Order.’</p> <p>We have a known risk that relates to conformity with a planning condition attached to previously granted consents.</p>	<p>We are working with partners and external professionals to address the specific issue in question. There is an ongoing review process, which will ensure that similar or related issues, do not arise and compliance with planning conditions is built into all project plans.</p>
<p><b>YW Instrument of Appointment Licence condition L – Underground asset management plans</b></p>	<p>This allows Ofwat to check that each water company is maintaining and developing the underground assets necessary to fulfil its legal obligations.</p>	<p>There is no need for action. The regulatory approach has been modified, and this requirement is now satisfied through other regulatory obligations.</p>

Obligation	Yorkshire Water position	Action being taken to improve
<p><b>Performance commitment.</b></p> <p><b>For FY2024 we have met or exceeded 21 of our performance commitments.</b></p> <p><b>Capital Carbon and Living With Water only have targets for the end of the Asset Management Period (March 2025).</b></p>	<p>For FY24 we have not met the target for the following 21 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. Risk of severe restrictions in a drought</li> <li>5. Priority Services for customers in vulnerable circumstances</li> <li>6. Internal sewer flooding</li> <li>7. Pollution incidents</li> <li>8. Treatment works compliance</li> <li>9. Land conserved and enhanced</li> <li>10. Integrated catchment attachment</li> <li>11. Biosecurity implementation</li> <li>12. Operational carbon</li> <li>13. Water recycling</li> <li>14. Affordability of bills</li> <li>15. Priority services awareness</li> <li>16. Priority services satisfaction</li> <li>17. Significant water supply events</li> <li>18. Replacing or repairing customer pipes</li> <li>19. Bathing water quality</li> <li>20. Surface water management</li> <li>21. Developer Services Measure of Experience (D-MeX)</li> </ol>	<p>You can read more about our performance and any actions we are taking in section 3 of our Annual Performance Report. <a href="https://yorkshirewater.com/about-us/reports">yorkshirewater.com/about-us/reports</a></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.**

## 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 2018 UK Corporate Governance Code (the Code), where applicable to private companies, 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)

## Board Signatures

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.

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



**Kathy Smith**  
**Company Secretary**

This statement was approved by the Yorkshire Water Board on 01 July 2024 and signed off on its behalf by Kathy Smith, Company Secretary.



# 2. Assurance to confirm compliance



# 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.

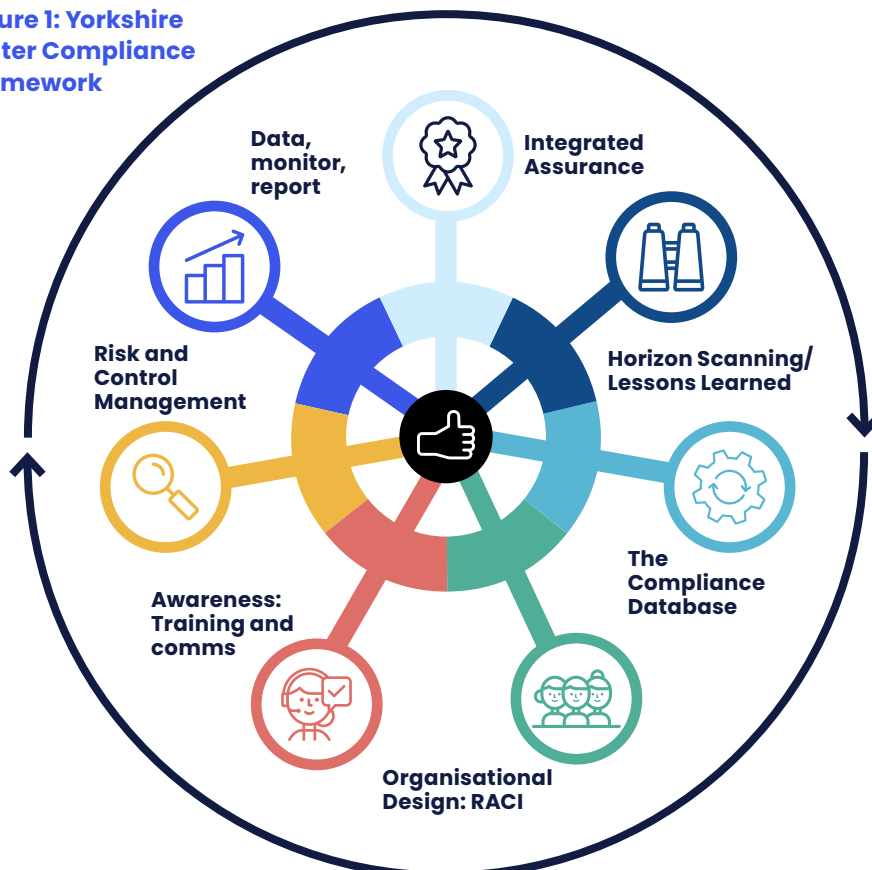
To make sure we achieve this we have introduced a consistent Compliance Framework across Yorkshire Water, see Figure 1. The seven steps of the framework ensure that we map all our obligations to all our regulators, set out clear accountability for achieving them, provide timely training to those responsible, implement, monitor and assure the controls to achieve compliance and learn lessons from non-compliance or near misses. We employ relevant subject matter experts as Compliance Leads.

They are responsible for ensuring appropriate controls are in place to achieve compliance as well as identifying new or amended obligations and applying the framework locally. The central Compliance Team oversee the health of the framework and provide timely reporting and assurance to senior leaders.

Our specialist teams that support us in understanding our obligations include Legal Services, Regulation, Company Secretariat, Financial Services, Health & Safety, Environmental Services, Commercial Services, Information Security and Human Resources.

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

**Figure 1: Yorkshire Water Compliance Framework**



RACI stands for Responsible, Accountable, Consulted, and Informed. Each letter in the acronym represents the level of ownership each person involved in the obligations will have on an individual deliverable.

## **We have sufficient systems of internal control to understand all our obligations and manage the risk of not achieving them.**

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 achieve international quality standards for Environmental Management ISO14001, Quality Management ISO9001, Occupational Health and Safety ISO45001 and Asset Management ISO55001, and are accessible to all colleagues through the Integrated Management System (IMS). The IMS team provide a programme of assurance over these systems of control, raising improvement actions where non-compliance is identified. Further independent assurance is provided by annual external audit. We seek to continually improve the approach to achieving compliance. Where a high risk of non-compliance is identified a timebound action plan is put in place to achieve compliance.

## **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 level of the business.**

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 processes 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 assessment matrix includes compliance as one of six aspects to be considered in all corporate risk assessments. Our risk management framework and the principal risks to achieving our objectives are detailed in our Annual Report and Financial Statements.

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

Compliance with our policies, procedures and controls designed to 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 where weak controls or non-compliance is identified. Achievement of these actions is monitored by the Executive Directors and the Audit and Risk Committee.

This approach requires personal assurance from all senior leaders that their team is aware of and complies with the higher risk obligations. They need to do this by completing regular assessments throughout the year. We call this the Evaluation of Compliance (EoC). The compliance Database documents the Compliance obligations along with the framework controls such as the policies and procedures each team needs to know and follow. If senior leaders find any gaps, they need to specify the smart actions they are taking to raise awareness and ensure compliance.

For 2023/2024, senior leaders from the Company evaluated compliance for 122 key legal and regulatory requirements, and they reported a high level of compliance at 96%. This is a 2% decline from last year due to the improved information driven by the deliberate, consistent focus on compliance.

We have seen improvement in Operational and Health and Safety compliance. The main reduction in the compliance assessment is to our environmental performance that is referenced in the table of exceptions above ([Table 1](#)). 74 actions have been taken throughout the year to improve our processes, training and awareness of key policies and procedures that help us understand and meet our obligations.

The Executive team and the Audit and Risk Committee oversee the progress of these actions. The outcomes of the EoC process are compared and verified with other assurance sources. The Internal Audit team periodically perform an independent assessment to verify the accuracy of the EoC.

## **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.**

Since 2020, we have conducted extensive research and engagement with both our household and non-household customers to understand their needs, preferences, and expectations for our water and wastewater services. We've had 54,000 quality conversations with our customers through various channels, such as surveys, focus groups, one-to-one in-depth interviews and online forums – all of this insight has informed and shaped our PR24 business plan submitted to Ofwat in October 2023. Throughout this time, we have also collaborated with The Yorkshire Forum for Water Customers, our independent Customer Challenge Group who are a panel of experts and representatives from various stakeholder groups, to ensure that our business plan reflects the views and interests of our customers and society.

Our customer engagement has taken place against a backdrop of economic uncertainty and unprecedented challenges, coming out of a pandemic followed by a cost-of-living crisis. Many of our customers have faced financial hardship, mental stress, and reduced confidence in the future. As a result, they have found it difficult to engage with our long-term plans and ambitions, especially those relating to environmental and climate issues. However, they have also expressed their appreciation for our essential services and they support us to not let this important work out of our line of sight.

Our customers have shared their views and feedback on various aspects of our service, such as water quality, supply reliability, affordability, customer service and environmental performance. Based on our analysis of their responses, we have identified the following key themes and priorities that our customers expect us to deliver, do more of, and continue for the long term:

- Maintaining high quality drinking water and security of supply. Our customers value the quality and safety of the water we provide, and they want us to ensure that there is enough water for current and future needs, without compromising the environment or increasing the cost.
- Keep our bills affordable and offer support to those who need it – our customers want bills to remain affordable for all, in fact, they also are willing to increase the support they already contribute for those who have trouble paying their bills, even when they face money problems themselves.
- Keeping wastewater in the pipes – preventing pollution and environmental harm. Our customers care about the impact of our wastewater services on the environment and public health, and they want us to prevent sewer flooding, pollution and leaks. They also want us to reduce our carbon footprint and use renewable energy sources.
- Maintaining and improving our assets – our customers expect us to look after our infrastructure and assets, and to invest in improving their resilience and efficiency. They also want us to reduce water leakage and waste, and to encourage water conservation and efficiency among our customers and ourselves.

We do not view our customer engagement and research as a one-off exercise, but as an ongoing and evolving process. We acknowledge that our customers' needs, preferences, and expectations may vary over time, due to various factors such as technological and economic changes. In Year 5 of AMP7, our customer research and engagement will enable the business to deliver higher service standards to our customers as we prepare ourselves for AMP8.

## Regulatory obligations at risk

In November 2023, we published a service commitment plan. This identified a number of our performance commitments where we are not meeting target and where Ofwat have deemed our performance to be 'lagging'. The action plan was published to reassure customers and stakeholders that we understand the areas where we are underperforming and that we have plans in place to improve performance. The measures included in this plan were: customer satisfaction, priority services register, drinking water quality compliance, per capita consumption, water supply interruptions, mains repairs and internal sewer flooding. We have a plan in place to improve our performance, have shared this with Ofwat and continue to meet with Ofwat quarterly to provide them an update on our progress. We published an update to our Service Commitment Plan in May 2024. This provides an update on the progress made against our action plan and provides additional information on the action we are taking to improve performance in 2024/2025. Our service commitment plan and our update to the plan can be found here: [yorkshirewater.com/about-us/reports/](https://yorkshirewater.com/about-us/reports/)

## 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 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.

You can read about our assurance process for reporting information in the Assurance Plan here: [yorkshirewater.com/reports](https://yorkshirewater.com/reports)

# Thank you for reading



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YorkshireWater