

# UUWR\_02

## PR24 Draft Determination

# Board Assurance Statement

### August 2024

This document is the final UUW Board Assurance Statement that supports the UUW PR24 business plan representations. This document was approved by the Board of directors of United Utilities Water Limited. It is signed by all members of the Board

# 1. Introduction

This assurance statement supports our response to the draft determination published by Ofwat on 11 July 2024, and builds upon the Board Assurance Statement provided in support of UUW's October 2023 business plan. We were pleased that UUW received a positive assessment in Ofwat's quality review which confirmed that we had met its assessments for data, information and assurance and concluded that:

- The company's PR24 business plan was fully consistent with the long-term delivery strategy and the company presented a single adaptive strategy, rather than multiple alternate plans.
- The company provided sufficient and convincing evidence to demonstrate how its track record of performance, or lessons learnt from poor performance, supported the credible delivery of the proposals in its plan. It was noted that UUW provided sufficient and convincing evidence that it understands the drivers of its performance and proposed credible activities to deliver the proposed performance in the 2025-30 period.
- The PR24 Board Assurance Statement presented by the full board met the requirements set out in Ofwat's guidance. No further assurance has been requested for financing or financial resilience to support the business plan or draft determination response.
- The plan was accessible and followed a clear structure, meeting Ofwat's requirements as specified in the guidance.
- The company provided data and information as requested in the methodology and business plan tables. This data and information was consistent, accurate and assured and used effective internal systems, controls and processes. It was highlighted that supporting evidence was provided of external assurance regarding effective controls, systems and processes.

## 2. UUW Board Assurance Statement

The Board of directors (the "Board") of United Utilities Water Limited ("UUW" or "the company") confirms that it believes in the timescales available, the representations made to Ofwat's draft determination:

- respond to the specific questions or queries raised by Ofwat;
- provide additional explanations and evidence in relation to the most material areas of concern or contention in relation to the draft determination;
- have been identified, evaluated and scrutinised as priorities through senior management review and subsequent board scrutiny; and,
- are of high quality and, within the significant time constraints applied, have been subject to assurance processes that sought so far as possible to meet the same standards of rigour that were applied to the main PR24 submission.

In order to achieve this, UUW has:

- ensured that there has been active engagement in the review of draft determination materials and consideration of the representations being made in response at appropriate levels throughout the organisation;
- developed responses guided by an assurance approach which is consistent with the PR24 submission process and in accordance with our published assurance framework<sup>1</sup>;
- subjected the programme to continued aggregated assurance by Deloitte LLP;
- undertook the Ofwat requested assurance to support the resilience uplift, provided by Deloitte LLP;
- subjected new or substantially updated data tables to assurance by PwC; and,
- sought additional support and advice from external experts where appropriate.

Further details of our approach to assurance and third-party review are set out in sections 2.1 and 2.2 below.

### 2.1 Assurance framework

The provision of reliable, accurate and complete information and data is an essential part of building and maintaining trust with customers and other stakeholders who rely on the services we provide. Given our position as a provider of essential public services, we have a responsibility to provide accurate and easily accessible regulatory information. We pride ourselves on publishing trusted information and have a proven track record of providing open, transparent and high-quality regulatory information. The dedicated assurance workstream defined and oversaw the application of our overarching assurance framework and governance procedures in the development of the response to the draft determination and built upon the assurance, external technical expertise developed and delivered for the October 2023 business plan (details of which can be found in UUW76 – Confidence and assurance of the submission).

The limited timeframe for responding to the draft determination meant that whilst the framework could not be applied in full to every aspect of the representations, we sought to utilise it as guidance to prioritise the assurance undertaken for our submission. Within this constraint, we are confident that our submission is of high quality.

The key elements of our framework are set out below:

**Measurement and data capture** - The data and information required for this submission has been developed through routine and often mature operational and management practices and processes, as well as by gathering further specific information to support the PR24 business plan and further representations.

<sup>1</sup> [https://www.unitedutilities.com/globalassets/documents/pdf/2020-25-assurance-framework\\_updated-31012022.pdf](https://www.unitedutilities.com/globalassets/documents/pdf/2020-25-assurance-framework_updated-31012022.pdf)

**Risk-based assurance** - We have adopted a structured risk assessment approach to underpin the governance and assurance processes supporting the plan and draft determination representation. The overall combined risk rating is used to help to determine the level of governance and assurance that is applied.

As the level of risk increases the governance and assurance applied also increases, ensuring that key risks are escalated up to board level where necessary. This means that the management, control and reporting of any risks and resulting actions identified through the process are proportionate to the level of risk. We adopt a well-established 'three lines of assurance' framework. For this submission the three lines of assurance are:

- **First line:** management has accountability for developing and maintaining sound processes, systems, and controls;
- **Second line:** the Regulation and Compliance team and/or Finance team, where applicable, have accountability for providing the framework and governance for submissions. The Corporate Audit team undertook targeted reviews of key areas of submissions and reviewed that all material actions arising from third party assurance activities were complete; and,
- **Third line:** independent assurance activities were undertaken by specialist external auditors where required.

**Governance and accountability** - We are committed to the very highest standards of corporate governance with defined accountabilities from the UUW board level cascaded into our operational governance and review processes. We apply the principles and report against the provisions of the 2018 UK Corporate Governance Code. This ensures we have a robust corporate framework. In addition to this we have an established board committee with delegated responsibility to oversee compliance with regulatory reporting requirements and to be kept abreast of any changes to the requirements. This committee, established in 2023 provides earlier and more in-depth scrutiny of regulatory submissions to help ensure the accuracy of information presented to regulators and customers. The committee is made up of three directors, two of whom are non-executive directors, one of whom is the chair. The Regulation and compliance director is a member of the committee and the company secretary attends the committee meetings.

**Aggregate assurance and additional support from external experts** – for this submission we engaged the services of Deloitte LLP, to provide aggregate level assurance for our draft determination representations providing additional confidence that programme and governance structure was successfully embedded as well as confirming assurance requirements were being met. In addition to its assurance aggregation role Deloitte provided specific specialist assurance on UUW's PR24 totex project model and UUW's resilience uplift enhancement to satisfy Ofwat's requirement within the draft determination.

Assurance for new and substantially changed data tables was provided by PwC, to confirm compliance with methodologies, sample testing and confirmation of completion of governance activities.

Where appropriate we sought additional support and objective input from external experts and consultants to build upon the wealth of external expertise already utilised in the development of the October 2023 business plan. This included the following experts:

- Mott MacDonald and Jacobs for the bespoke embodied GHG performance commitment;
- Jacobs were commissioned to provide a review of the UUW methodology for completion of newly required improvement works to meet the requirements of recent IED Environmental Permits;
- Frontier-Economics for matters relating to WACC and CSO cost modelling;
- TetraTech for provision of additional technical review and challenge of our CSO programme; and,
- ChandlerKBS for further project cost benchmarking across four work types including overflows, wastewater projects, water projects and bioresources projects.

## 2.2 Assurance conclusions

Deloitte LLP was appointed as the external assurance provider for aggregate assurance and for the representations on the draft determination. In this role it assessed the following four key areas and provided a concluding report.

- **Programme Management**

- assessed the adequacy and effectiveness of the governance over the PR24 DD process (including key representations);
- the approach to assurance in identifying material representations to be made in response of the draft determinations;
- the internal approval processes for representations.
- the governance processes applied and supporting information provided.

Deloitte concluded:

*"UUW has demonstrated throughout the DD response period that it has robust and effective programme management processes in place, which are proportionate, and pragmatic given the consultation timeframes, including executive ownership and Board approval of the DD submission".*

and:

*"The UUW group-wide assurance framework has been applied to both the PR24 submission and DD response to identify, measure and monitor the deliverables required. During the DD period, internal UUW assurance activities have included detailed scrutiny from senior management, first and second line risk and assurance teams, and third line assurance (including Deloitte and other external providers)"*

and:

*"Ahead of Ofwat's DD announcement and publication, UUW has completed a set of pre-requisite activities, followed by a thorough review of the DD material to understand and evaluate Ofwat's DD assessment. During the DD period, the programme has undertaken the required internal governance processes and planned assurance activities. The key programmatic documentation has been reviewed, challenged, updated and approved internally ahead of the UUW Board (20 August 2024) and the submission deadline of 28 August 2024"*

- **Totex**

- review the methodology for consistency with Ofwat guidance (where applicable), and that it has been applied as required;
- assess the use of input validation for areas in the model which have changed since the initial submission;
- assess whether the calculations within the model are consistently applied, using Deloitte's spreadsheet analyser tool; and,
- obtained evidence of the quality assurance procedure performed by UUW.

Deloitte concluded:

*"Significant work was also planned and executed in relation to the overall Totex, supporting modelling and wider related inputs for the DD submission. The Totex Projects Model (data source for several data tables to be submitted as part of the PR24 DD) has undergone structural rather than functional changes since the January 2024 submission. Our procedures, which focused on new areas in the model since the prior submission, identified no material items with improvement actions communicated to UUW management for resolution before submission."*

- **Representations**

- a review of evidence for interdependencies between representations and previous submissions.

- on a sample basis assessed that the change management processes had been adhered to and how representations linked to the business plan and supporting documentations.
- confirmation of internal data validation back to source data.

Deloitte concluded:

*"For key UUW representations to Ofwat, a 'triage' process was established on receipt of the DD. Senior leadership promptly discussed and agreed where key representations and supporting evidence was required by way of response. A transparent and proportionate process was designed and implemented whereby five key representations were agreed with subsequent documentation, data validation and supporting evidence collated, reviewed and approved. On a sample basis of assessing three of the five representations (Overflows; Gates process; and Reservoirs), overall we found a high-level of senior executive engagement and ownership for each representation. Extensive work was undertaken to complete the agreed proforma templates, with clear evidence of traceability to source data and the original business case submission"*

and, with specific reference to UUWR\_39\_Resilience uplift:

*"Based on a specific Ofwat requirement in relation to external assurance required on the resilience uplift business case, we undertook a short assessment on the case developed by UUW. It was evident the case was risk-based, for example with climate change being an important casual factor. There was a commitment to spend the funding within the stated Asset Management Plan period (AMP8) and address flooding and power related risks. Clear deliverables and outputs were identified. UUW had taken a prioritisation approach to the schemes and objectively assessed suitability. There is a clear definition of each scheme in the business case which should provide UUW confidence the outputs can be delivered within AMP8"*

- **Board Assurance Statement**

- Independent review of Board Assurance Statement assessing for accuracy, completeness and objectivity.
- sample review of the additional support provided by other external experts.
- a sample review of additional material external assurance provided in support of representations.
- any outstanding actions which follow the presentation of the assurance report in support of representation to the board on 20 August, will be reviewed before the final submission to the regulator on the 28 August.

Deloitte acknowledged the wider assurance activities that had been performed by other external providers (as described in Section 2.1) and confirmed that the work was undertaken and saw the associated reports.

Deloitte LLP reported to the board on 20 August and presented their findings and concluded:

*"The UUW Executive Group and UUW Board understand and accept the residual risks that are invariably part of a five-year business plan of this scale, complexity, and ambition, be that operational, financial, business and/or customer and based on Ofwat's assessment of the business plan as part of the DD assessment.*

*Based on the agreed scope of work undertaken, Deloitte has not identified any significant reasons that would prevent the UUW Board approving the PR24 DD response and subsequent submission to Ofwat."<sup>2</sup>*

The document UUWR\_06\_Assurance aggregation summary report summarises the findings of our aggregate assurance provider, Deloitte LLP, as reported to the UUW Board. It has been provided to Ofwat in line with the terms of the agreed transmittal letter.

As part of our assurance framework, our Corporate Audit function also conducted assurance of the representations, completing targeted reviews of key areas and reviewing the assurance finding of external assurance providers. Their scope memo and findings were also presented to the to the board. Corporate Audit concluded:

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<sup>2</sup> Source: Deloitte LLP- United Utilities Price Review 2024 Draft Determination: Assurance Aggregation Overall Summary Report: Final

*"An appropriate level of governance and approval has been applied to the draft determination response submission documentation, and our sample testing of projects indicated that the project costs are properly supported and consistently quoted / referenced in the submission narrative. The Board assurance statement is reasonable, and the outputs from assurance providers suggest that there are no material issues to prevent the Board from signing and submitting the Draft Determination response."<sup>3</sup>*

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<sup>3</sup> Source: UU Corporate Audit Memorandum

On the basis of the activities completed by the PR24 programme as planned, since Ofwat's announced draft determination, associated assurance actions closed out as required, the Board hereby approve UUW's representations and submission to Ofwat.



**Sir David Higgins**  
Chair



**Louise Beardmore**  
Chief Executive Officer




**Alison Goligher**  
Senior independent non executive director




**Phil Aspin**  
Chief Financial Officer




**Liam Butterworth**  
Independent non executive director



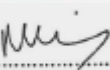
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