

PR24 Assurance Strategy

Anglian Water

2023

Table of Contents

Introduction and background	3
What is meant by an assurance strategy	3
Our commitment to delivering high quality data	3
Our governance structure for PR24	5
What information needs assuring?	6
Forms of assurance	6
Our Risk Assessment process for data tables	7
Assurance for our Independent Challenge Group	8
Timescales	8

Introduction and background

One of the ways Ofwat regulates the water and wastewater service providers in England and Wales is to set the price, investment and service package that customers receive. This includes controlling prices companies can charge their customers.

A review of the price limits is carried out every five years - the current price review for 2024, known as 'PR24', will set price controls for the period 2025-2030. As part of the PR24 process, Anglian Water (the 'Company') is required to submit a Business Plan and Long Term Delivery Strategy (LTDS). In the Business Plan and LTDS we are providing a wide range of information to our Regulators and stakeholders. They have a reasonable expectation that they can rely on that information when making judgements about Anglian Water and that the information forms the basis for honest and open conversations about our Business Plan and LTDS. The Board also play an important role in providing overall assurance that the Business Plan and LTDS are high quality, represent best value for customers, communities and the environment, will support operational, corporate and financial resilience and that they are deliverable. This document outlines the assurance plan that we have in place for the business planning process to meet those objectives, taking into account the requirements and expectations detailed in Ofwat's PR24 Final Methodology, prior to submission and publication of our final Business Plan and LTDS in October 2023.

This is a supplementary document to 'Our Assurance Framework' which we published in March 2022¹.

What is meant by an assurance strategy

Our Assurance Strategy describes how we work to ensure the information we provide to stakeholders meets the expected standards of quality. It describes how we assess the risk that a piece of information may be unreliable and how we tailor our assurance in response to those risk assessments.

We define assurance to be confirmation by a party making an assertion that the assertion is true, within the range of likely error specified. The basis of the assurance will vary and may (but not necessarily) include the involvement of an assurance provider who is independent of the party making the assertion. There is a cost to assurance, which means that a framework is required to ensure we apply assurance in the most efficient manner.

The principles and approaches set out in our Assurance Strategy, apply to all the activities we undertake on a daily basis, including our approach to developing our Business Plan and LTDS for PR24.

Our commitment to delivering high quality data

The culture of any organisation is defined by the values stated by the organisation and the knowledge, skills and attitudes of its employees. It is evident in the way those values, knowledge, skills and attitudes are made real in the actions and behaviours of its employees. It can be described as 'the way the organisation conducts its business'.

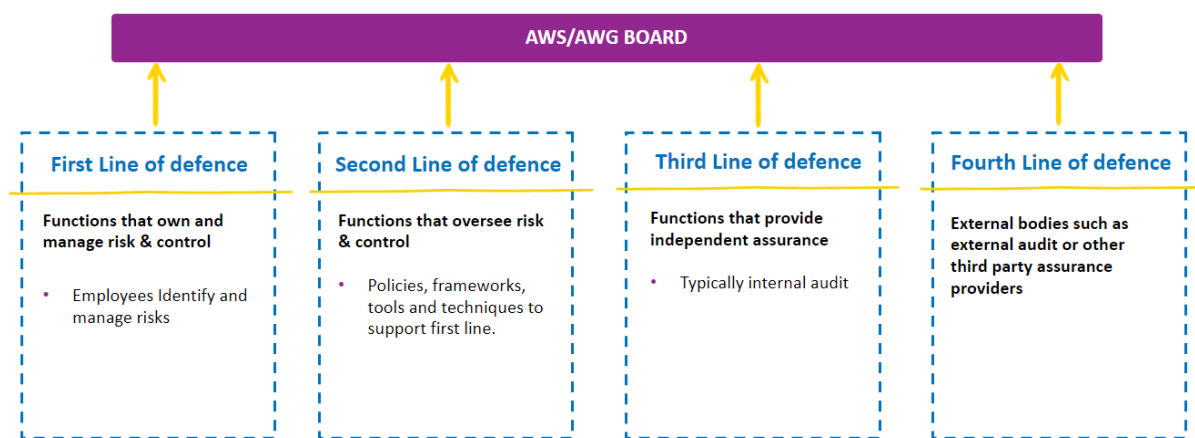
Culture is highly relevant to the assurance process because it sets the expectations of the business for accurate information. As we set out in our Assurance Strategy we have a positive corporate culture that embeds expectations for, and controls that deliver, complete and accurate information as a part of the way we work. In particular:

¹ [Our Assurance Framework \(anglianwater.co.uk\)](https://www.anglianwater.co.uk)

- a high value is placed by the top leadership on accurate information and transmitted to individuals throughout the organisation;
- resources are allocated to ensuring information accuracy;
- provision of high quality information is rewarded;
- individuals at all levels have a starting assumption that information is a corporate asset that must be valued; and
- it is acceptable to be honest about errors.

This is reinforced by our governance – the framework of rules, policies, procedures and bodies the organisation has put in place to enable the smooth conduct of its business, ensure it complies with its responsibilities and manage its risks.

Consistent with our Assurance Framework, we have adopted the concept of the multiple “lines of defence” against data error for PR24 and LTDS.



1. **1st line of defence – Functions that own and manage risk & control:** Managers and staff are responsible for identifying and managing risk as part of their accountability for achieving objectives. By diligently checking data sources and analytical tools, experienced staff provide the first line of defence against errors. Automated controls can also be built into systems, databases and spread sheets to flag errors.
2. **2nd line of defence – Functions that oversee risk & control:** The 2nd line provides policies, frameworks, tools, techniques and support to enable risk and compliance to be managed in the first line.
3. **3rd line of defence – Functions that provide independent assurance:** Typically fulfilled by Internal Audit, 3rd line acts independently of 1st line and 2nd line to ensure that the first two lines are operating effectively and advises how they could be improved.
4. **4th line of defence - External bodies such as external audit or other third party assurance providers:** These may give assurance to both the organisation and other stakeholders that appropriate controls and processes are in place and are operating effectively.

It is not necessary to deploy all four lines of defence against every piece of data. For example, if we are satisfied that the first two lines are working sufficiently well we will not deploy lines 3 and 4. Review or audit by a party external to the Company provides an additional level of control but is not necessary if other controls are working effectively and the residual risk of error is low. Third party audit is just one tool in an extensive tool box. What determines the correct number of lines of defence to employ is our assessment of the risk that a particular piece of data may be wrong. We describe our risk assessment process later in this document.

What information needs assuring?

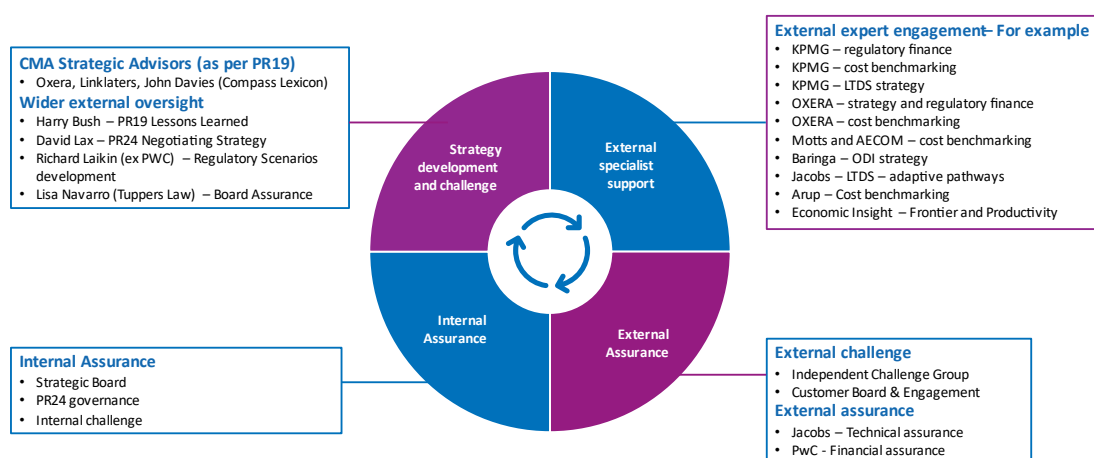
This Assurance Strategy applies to the information we will be submitting and publishing as part of our Business Plan for the period 2025-2030 and LTDS for 2025-2050. This includes, but is not be limited to the following:

- Financial elements such as assumptions and financeability
- Data tables for both PR24 and LTDS and associated commentaries required by Ofwat
- Associated feeder models
- Approach, structure and content of PR24 Business Plan and LTDS, including ensuring consistency with the Water Resources Management Plan, the Drainage and Wastewater Management Plan and the Water Industry National Environment Programme
- Ensuring the use of adaptive planning
- Approach to engaging customers on PR24 and LTDS including societal valuations update
- Outcomes development, including performance commitments and setting of outperformance / underperformance payments
- Development of investment options, optimisation of options and cost estimation validation
- Price Control Deliverables
- Economic and company scenarios
- Cost adjustment claims
- PR19 reconciliation
- Vulnerability and affordability
- Direct Procurement for customers
- Cost modelling

Forms of assurance

We ensure the level of assurance is appropriate to the type of data in scope. Consequently, the basis of our assurance activities varies. For PR24 assurance activities are being carried out by a number of parties:

PR24: Governance and external perspectives



11.

The matrix below summarises how assurance providers have been allocated across the workstreams.

It should be noted that in all cases, at least two forms of assurance will be carried out, providing a broad scope of review and added resilience.

Topic area	Assurance			
	Internal	Third party assurer	Expert consultant	Strategic advisor
LTDS	✓	✓		✓
Affordability	✓	✓		
Customer Engagement	✓	✓	✓	
Financial Resilience	✓	✓	✓	✓
Financeability	✓	✓	✓	✓
Expenditure Forecasts	✓	✓	✓	
Financial Modelling	✓	✓	✓	
Outcomes	✓	✓	✓	✓
Deliverability	✓	✓	✓	
DPC	✓	✓	✓	
Societal Valuation	✓	✓	✓	
Optioneering	✓	✓		
Resilience	✓		✓	
Data Tables	✓	✓		

Our Risk Assessment process for data tables

Assurance of the data tables by external third parties will focus on areas of highest risk; those tables where the likelihood or impact of inaccurate data is the greatest. We assessed each data table against the following criteria to identify the highest risk tables:

- high/medium/low ratings assigned for tables that were key as part of financial modelling
- Tables were given a significance scoring if they were inputs to the financial modelling or key to the business plan
- The volume of cells in a table that were copied from other tables or were auto calculated
- The level of assumption/subjectivity needed to create data in each table, particularly for forecast data
- The complexity of producing table data (e.g. systems, processes and data)
- Could data sources be validated via supporting documentation, audit trail and controls?
- People risks (e.g. experience, single point of failure)
- Strategic importance of data (e.g. Ofwat, Customers and other external stakeholders)

The results of the risk assessment are

- 60 of data tables to be assured internally.
- 106 of data tables to be assured internally, and be subject to external assurance.
- 11 tables to be confirmed on receipt of more detailed information from OFWAT re the requirements for the tables.

A full list of tables with allocated provider can be found at Appendix 1.

Depending on the individual data tables, the terms of reference for the assurance reviews may include an assessment of the following:

- Compliance with PR24 methodology requirements, including any assumptions

- The robustness of supporting evidence
- Data validation processes
- Consistency of data across tables
- Areas of concern or weakness

Assurance for our Independent Challenge Group

Our Independent Challenge Group (ICG), comprises members from a number of interested stakeholder groups. For the purpose of PR24, the role of the ICG is to scrutinise and constructively challenge Anglian Water on:

- the quality of its engagement with the customers and the wider communities and stakeholders it serves
- the extent to which customer priorities are reflected in what the company does, and
- the company's delivery against those priorities.

In addition to the assurance activities outlined above, our ICG can independently request additional assurance activities are carried out on its behalf to help satisfy itself that it has provided sufficient challenge.

Regular assurance updates are provided to the ICG by the Company and by third party assurance providers if required.

Timescales

Our assurance activities are already underway, having begun in 2021 by supporting the Assurance of the Water Resource Management Plan, Drainage Wastewater Management Plan and WINEP. They were subject to independent third party assurance. Our assurance activities will continue throughout 2023 until we submit and publish our final business plan and LTDS, and beyond that to manage the period of activity until Ofwat's final determination in December 2024.

We will submit and publish our final business plan and LTDS, along with signed Board Assurance Statements and copies of reports produced by our independent third party assurance providers, by Ofwat's deadline of 2 October 2023.

Appendix 1

The list below shows how the data tables have been split between each provider:

Table ref	Assurance Provider
Outcomes	
OUT1	Jacobs
OUT2	Jacobs
OUT3	Jacobs
OUT4	Jacobs
OUT5	Jacobs
OUT6	PWC
OUT7	PWC
OUT8	Jacobs
OUT9	Jacobs
OUT10	Jacobs
OUT11	Jacobs
Risk & Return	
RR1	PWC
RR2	PWC
RR3	PWC
RR4	PWC
RR5	PWC
RR6	PWC
RR7	PWC
RR8	PWC
RR9	PWC
RR10	PWC
RR11	PWC
RR12	PWC
RR13	PWC
RR14	PWC
RR15	PWC
RR16	PWC
RR17	PWC
RR18	PWC
RR19	PWC
RR20	PWC
RR21	PWC
RR22	PWC
RR23	PWC
RR24	PWC
RR25	PWC
RR26	PWC
RR27	PWC
RR27a	PWC
RR28	PWC
RR29	PWC

RR30	PWC
Costs (wholesale) - water	
CW1	PWC
CW1a	PWC
CW2	PWC
CW3	PWC
CW4	Jacobs
CW5	Jacobs
CW6	Jacobs
CW7	Jacobs
CW8	PWC
CW9	PWC
CW10	PWC
CW11	PWC
CW12	PWC
CW13	PWC
CW14	PWC
CW15	Jacobs
CW16	Jacobs
CW17	PWC
CW18	PWC
CW19	Jacobs
CW20	Jacobs
CW21	PWC
Costs (wholesale) - wastewater	
CWW1	PWC
CWW1a	PWC
CWW2	PWC
CWW3	PWC
CWW4	PWC
CWW5	Jacobs
CWW6	Jacobs
CWW7a	Jacobs
CWW7b	Jacobs
CWW7c	Jacobs
CWW8	Jacobs
CWW9	PWC
CWW10	PWC
CWW11	PWC
CWW12	PWC
CWW13	PWC
CWW14	PWC
CWW15	Jacobs
CWW16	Jacobs
CWW17	PWC
CWW18	PWC
CWW19	PWC

CWW20	Jacobs
CWW21	Jacobs
CWW22	PWC
Water resources	
RES1	Jacobs
Bioresources	
BIO1	Jacobs
BIO2	PWC
BIO3a	Jacobs
BIO3b	PWC
BIO4	Jacobs
BIO5	Jacobs
BIO6	PWC
Retail	
RET1	PWC
RET1a	PWC
RET2	PWC
RET3	N/A
RET4	PWC
Developer Services	
DS1e	PWC
DS2e	PWC
DS3	PWC
DS4	Jacobs
DS5	PWC
DS6	Jacobs
Long term strategies	
LS1	Jacobs
LS2	Jacobs
LS3	Jacobs
LS3a	Jacobs
LS3b	Jacobs
LS3c	Jacobs
LS3d	Jacobs
LS3e	Jacobs
LS3f	Jacobs
LS3g	Jacobs
LS3h	Jacobs
LS3i	Jacobs
LS4	Jacobs
LS4a	Jacobs
LS4b	Jacobs
LS4c	Jacobs
LS4d	Jacobs
LS4e	Jacobs
LS4f	Jacobs
LS4g	Jacobs

LS4h	Jacobs
LS4i	Jacobs
LS5	Specialist/combination
LS6	Jacobs
LS7	Jacobs
Supplementary	
SUP1A	Jacobs
SUP1B	Jacobs
SUP02	N/A
SUP03	N/A
SUP04	N/A
SUP05	N/A
SUP06	N/A
SUP07	N/A
SUP08	N/A
SUP09	N/A
SUP10	N/A
SUP11	PWC
SUP12	PWC
SUP13	N/A
SUP14	Jacobs
SUP15	PWC
Summary	
SUM1	Jacobs
SUM2	PWC
SUM3	Jacobs
SUM4	PWC
SUM5	PWC
SUM6	PWC
SUM7	Jacobs
Past Delivery	
PD1	PWC
PD02	N/A
PD03	N/A
PD4	PWC
PD5	PWC
PD6	Jacobs
PD07	N/A
PD07a	N/A
PD8	PWC
PD9	PWC
PD10	PWC
PD11	PWC
PD12	PWC