

United Utilities APR

Independent assurance reports

2021 / 22

A document containing independent assurance reports as required in the final determination

Introduction

In the final determination there is a number of performance commitments with a requirement to publish associated assurance reports. This document contains copies of all those relevant reports.

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1. On-going assurance requirements

Performance commitment (bespoke)	Reporting and assurance requirement
<p>1.2.6 Water service resilience See section 2.1 below</p>	<p>The company must publish independent reports of the assessment audit of the baseline position and then further audits of assessment of any changes in the risk position claimed within the year for each year between 2020 and 2025. If changes are necessary to the methodology or underlying data, the reports will make an assessment of any potential impact on reported performance and state the impact on the baseline position and any earlier reported years.</p>
<p>1.2.16 Better air quality See section 2.3 below</p>	<p>The company will provide independent assurance including that:</p> <ul style="list-style-type: none"> · The concentration of NOx emissions are measured by independent qualified third party according to BS EN 14792 Stationary source emissions. Determination of mass concentration of nitrogen oxides (NOx) (or its successors or recognised equivalents). · All operational data relating to energy, electricity generation and biomethane production is compliant with the international carbon reporting standard (ISO 14064, Part 1) (or its successors or recognised equivalents) and assured following an audit by an appropriately qualified independent third party.
<p>1.2.30 Hydraulic internal flood risk resilience See section 2.4 below</p>	<p>The company must publish independent reports of the assessment audit of the baseline position and then further audits of assessment of any changes in the risk position claimed within the year for each year between 2020 and 2025. If changes are necessary to the methodology or underlying data, the reports will make an assessment of any potential impact on reported performance and state the impact on the baseline position and any earlier reported years.</p>
<p>1.2.31 Hydraulic external flood risk resilience See section 2.4 below</p>	<p>The company must publish independent reports of the assessment audit of the baseline position and then further audits of assessment of any changes in the risk position claimed within the year for each year between 2020 and 2025. If changes are necessary to the methodology or underlying data, the reports will make an assessment of any potential impact on reported performance and state the impact on the baseline position and any earlier reported years.</p>

2. Independent assurance reports

The following sections contains the independent assurance reports as required in the final determination

2.1 Water service resilience summary of audit findings

Water service resilience Table number	3A
Lines	12, 1-2
Topic Area (as defined by UU Programme)	Water Service Resilience
Jacobs Auditor(s)	████████
UU Auditee(s)	████████ ████████ ████████ ████████
Date of Audit	28 April 2022, 9 May 2022

Audit Scope

As for RR20 and RR21, we have continued to undertake audits remotely, arranging meetings via MS Teams.

We reviewed the resilience schemes which completed to reduce the number of customer service days lost in 2021/22. We confirmed that the number of customer service days was correctly transposed to the incentive model.

Key Findings

A large amount of work has been undertaken this year to increase the resilience of treatment works and trunk mains. We reviewed nine trunk mains tiles which have been subject to creation of new operational plans to manage failures and extensive enabling works to enable these to be executed within a target of three hours. These plans have been subject to operational review.

We reviewed four schemes to increase the resilience of water treatment works and found no concerns with these.

RR22 Table Criteria	RAG	Achieved	Assessment
Performance and Significant events	G	<input checked="" type="checkbox"/>	Has the company met their respective targets and is the reporting process well managed/maintained?

Methodology	G	<input checked="" type="checkbox"/>	Does the methodology remain unchanged from previous year and is it clearly laid out with key data sources, processes and well-defined control points?
Assumptions	G	<input checked="" type="checkbox"/>	Are all assumptions reasonable and appropriately applied?
Source Data	G	<input checked="" type="checkbox"/>	Has the source data been clearly identified, is it complete beyond material concern and is it well managed through to accurate systems input?
Clarity of Audit Trails	G	<input checked="" type="checkbox"/>	Is the audit trail detailed, comprehensive and traceable back to source?
Confidence Grades	G	<input checked="" type="checkbox"/>	Do you concur with the confidence grades presented by the company?
Governance	G	<input checked="" type="checkbox"/>	Has all evidence of appropriate sign-off been provided?

ODI Measure	RAG	On Target	Assessment
Performance Commitment	G	<input checked="" type="checkbox"/>	Are the performance figures accurately carried forward to the ODI and correctly calculated in accordance with Ofwat's PR19 FD - United Utilities – Outcomes performance commitment appendix?

ODI (Performance Commitments) 2021/22 and Forecasted Performance					
ODI	2020/21	2021/22	2022/23	2023/24	2024/5
		Starting Level	Full Year	Full Year	Full Year
Water Service Resilience	106	915	-	-	-

Issues and Material Findings

- We found that some of the trunk mains tiles are partially or entirely made of non-preferred materials, which is likely to give rise to breaches of the statutory standard for turbidity if the plans are executed without mains conditioning being undertaken first. This would be outside the definition of the Performance Commitment. As the mains conditioning has not yet taken place, the customer service days lost has been scaled in proportion to the fraction of preferred materials in each tile. This is an appropriate way to reflect the increase in resilience which has been achieved.
- Plans are in place to undertake this conditioning in future years and claim the remaining reduction in customer service days lost.

SAF Ref.	No.	Issues/Recommendations	Company Response	Date of Response	Closed? (Y/N)	RAG
UUW_RR2 2_SAF Template	1	No further findings.			Y	Green

Recommendations

- We agree with the Team that it would be helpful to schedule a pre-audit later this year to review the remaining programme of work and planned customer service days lost reduction claims for the AMP so that potential issues can be identified and addressed before APR reporting begins.

2.2 Better air quality summary of audit findings

Table number	3B
Lines	1-9
Topic Area (as defined by UU Programme)	Better Air Quality PC
Jacobs Auditor(s)	
UU Auditee(s)	
Date of Audit	4 th May 2022

1. Audit Scope

As for RR20 and RR21, we have continued to undertake audits remotely, arranging meetings via MS Teams.

We audited table 3B lines 1-9, which is the Better Air Quality PC and supporting lines.

We undertook a calculation and assumptions check to the model which calculates annual emissions from test results and energy produced.

2. Key Findings

RR22 Table Criteria	RAG	Achieved	Assessment
Performance and Significant events	G	<input checked="" type="checkbox"/>	Has the company met their respective targets and is the reporting process well managed/maintained?
Methodology	G	<input checked="" type="checkbox"/>	Does the methodology remain unchanged from previous year and is it clearly laid out with key data sources, processes and well-defined control points?
Assumptions	G	<input checked="" type="checkbox"/>	Are all assumptions reasonable and appropriately applied?
Source Data	G	<input checked="" type="checkbox"/>	Has the source data been clearly identified, is it complete beyond material concern and is it well managed through to accurate systems input?
Clarity of Audit Trails	G	<input checked="" type="checkbox"/>	Is the audit trail detailed, comprehensive and traceable back to source?
Confidence Grades	G	<input checked="" type="checkbox"/>	Do you concur with the confidence grades presented by the company?
Governance	G	<input checked="" type="checkbox"/>	Has all evidence of appropriate sign-off been provided?

ODI Measure	RAG	On Target	Assessment
Performance Commitment	G	<input checked="" type="checkbox"/>	Are the performance figures accurately carried forward to the ODI and correctly calculated in accordance with Ofwat's PR19 FD - United Utilities – Outcomes performance commitment appendix?

The performance commitment has been met this year.

ODI (Performance Commitments) 2021/22 and Forecasted Performance					
ODI	2020/21	2021/22	2022/23	2023/24	2024/5
	Starting Level	Full Year	Full Year	Full Year	Full Year
Better Air Quality	1.21	1.09	-	-	-

3. Issues and Material Findings

We noted that the team has used a conservative approach to reporting the measure, including

- Retaining the first set of 2022 St. Helens test results, even though they were so high they could have been anomalous.
- Where engines have been modified to produce lower NOx, counting the benefit of this from the first post-modification test date, not the date of modification.

We noted that the workbook used for calculations is tidy and clearly laid out. We found no issues with the calculations and assumptions used in it.

SAF Ref.	No.	Issues/Recommendations	Company Response	Date of Response	Closed? (Y/N)	RAG
UUW_RR2 2_SAF Better Air Quality	1	We checked the maths and assumptions in the calculation workbook and did not find any issues.			Y	Green
UUW_RR2 2_SAF Template	2	The process includes a significant amount of manual copying from pdf sources. This was raised in audit last year. The contractor which provides the test results does not provide a tabulated format. This is unlikely to materially affect the measure.			Y	Blue

4. Recommendations

No recommendations.

2.3 HEFFR and HIFFR summary of audit findings

Table number	T3B, T3E, T3G, T3I & T10D
Lines	3B.13-14 – ODI – G05-WWN (Hydraulic flood risk resilience (internal)) & G06-WWN (Hydraulic flood risk resilience (External))
Topic Area (as defined by UU Programme)	Sewer Flooding and Sewer Network Performance
Jacobs Auditor(s)	[REDACTED]
UU Auditee(s)	[REDACTED]
Date of Audits	27 th April, 29 th April, 10 th May, 11 th May & 13 th May 2022

Audit Scope

For the AMP7 common performance commitments G05-WWN, G06-WWN, as contained within Table 3B a Level 2 audit was completed, involving;

- checking the methodology against the PC definition and RR22 approach for consistency, through questioning and review of methodologies,
- Checking appropriate controls and checks are in place,
- Challenging provenance of data sources,
- Ensuring performance is consistent with expectations and variations explained,
- Ensuring risks to the PC have been considered and documented where appropriate and mitigations measures considered.

Due to the ongoing impacts of COVID-19 on working arrangement and related travel restrictions, we agreed with UU to complete audits remotely for RR22, arranging audits as a Teams Meeting in Outlook.

Key Findings

RR22 Table Criteria	RAG	Achieved	Assessment
Performance and Significant events	G	<input checked="" type="checkbox"/>	Has the company met their respective targets and is the reporting process well managed/maintained? For AMP7, there are 8 separate performance commitments related to sewer network performance. For RR22, UU achieved the Year 2 target for 6 of the 8 PCs, however penalties have been incurred for F02-WWN (-£0.06m) and G02-WWN (-£9.11m). Process is very well managed. The continuation of the Flood Review Panel, provides an additional layer of verification for all contentious incidents, with good evidence compiled to support all sewer flooding related performance commitments.
Methodology	B	<input checked="" type="checkbox"/>	Does the methodology remain unchanged from previous year and is it clearly laid out with key data sources, processes and well-defined control points? Methodology is consistent with current process and largely unchanged. Control points identified and understood.
Assumptions	G	<input checked="" type="checkbox"/>	Are all assumptions reasonable and appropriately applied? Confirmed

RR22 Table Criteria	RAG	Achieved	Assessment
Source Data	G	<input checked="" type="checkbox"/>	Has the source data been clearly identified, is it complete beyond material concern and is it well managed through to accurate systems input? Confirmed. The Company captures sufficient evidence to enable the appropriate assessment and verification of all incidents
Clarity of Audit Trails	G	<input checked="" type="checkbox"/>	Is the audit trail detailed, comprehensive and traceable back to source? Confirmed. A selection of internal/external hydraulic incidents, FOC flooding incidents. Blockages and collapses were trailed back to source. We confirm that all methodology changes reflecting the latest guidance are supported by a comprehensive evidence folder to support exclusion.
Confidence Grades	G	<input checked="" type="checkbox"/>	Do you concur with the confidence grades presented by the company? Confirmed.
Governance	G	<input checked="" type="checkbox"/>	Has all evidence of appropriate sign-off been provided? Confirmed.

ODI Measure	RAG	On Target	Assessment
Performance Commitments	G	<input checked="" type="checkbox"/>	Are the performance figures accurately carried forward to the ODI and correctly calculated in accordance with Ofwat's PR19 FD - United Utilities – Outcomes performance commitment appendix? Confirmed. Source data is derived directly from INS. ODI calculation consistent with Ofwat's PR19 FD - United Utilities – Outcomes performance commitment appendix. UU has outperformed the 2021/22 target for 6 of the 8 PCs (£12.85m reward) and underperformed against 2 PCs (£9.16m penalty)

1. Supporting Information

• G05-WWN – Hydraulic Internal Flood Risk Resilience and G06-WWN – Hydraulic External Flood Risk Resilience (HFRR)

UU developed a measure for AMP7 to identify customers that have experienced repeat internal/external flooding and then deliver permanent solutions for these customers in order to reduce the risk of them experiencing future flooding.

The Company has developed a complex methodology, based on the identification of all properties on INS that have experienced at least 2 non-severe flooding incidents since 2012/13. These properties are then reviewed against the Company's comprehensive suite of 2D 'floodmesh' catchment models (last updated in 2020) to assess the modelled flooding risk. Comparison of the modelled risk and the actual historic flooding risk for each property is completed and the lower of the 2 risks is assigned to the property. When permanent solutions are delivered, the risk of flooding is reassessed, and the total resultant risk is then used to assess performance against the HFRR.

For RR22, UU have identified 956 properties on the internal and external HFRR, comprising 756 properties included in the RR19 baseline, 99 arisals in RR20, 61 arisals in RR21 and 40 arisals in RR22 (comprising 18 internal and 22 external). We found that all properties added to the HFRR register (arisals) are reviewed by the Flood Review Panel to ensure the root cause is fully understood and coded correctly.

Up to the end of 2021/22, we note that UU has delivered 12 permanent solutions during the year providing protection to an additional 12 properties (108 in total), primarily comprising cut and pump cellar disconnections.

We reviewed a selection of arisals and permanent solutions during the course of our audit and confirm an evidence pack is prepared to support the reduction in risk to all properties affected by a permanent solution.

As a result of the above, UU has reported a reduction in overall internal risk of 28.02 and external risk of 112.11, resulting in a level of risk for RR22 of 40.61 (internal) and 184.04 (external). When compared to the PC targets

for RR22, this equates to an outperformance against the internal measure of 18.43 (£7.65m reward) and 48.29 (£2.03m reward) against the external measure.

ODI (Performance Commitments) 2021/22 and Forecasted Performance						
ODI	Performance	2020/21	2021/22	2022/23	2023/24	2024/5
		Actual	Forecast	Forecast	Forecast	Forecast
G05-WWN	PC Target Performance	60.04	59.04	■	■	■
	Actual Performance	41.84	40.61			
	Actual Reward/Penalty (£m)	7.55	+7.65 (reward)			
G06-WWN	PC Target Performance	254.53	232.33	■	■	■
	Actual Performance	179.84	184.04			
	Actual Reward/Penalty (£m)	3.14	+2.03 (reward)			

Issues and Material Findings

SAF Ref.	No.	Issues/Recommendations	Company Response	Date of Response	Closed? (Y/N)	RAG
N/A						G

Recommendations

- Nothing to Add

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Water for the North West