

**United Utilities Water**

# **DRAFT Drainage and Wastewater Management Plan 2023**

## **UUW Board Assurance Statement**

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**Private & Confidential**

# 1. Board Assurance Statement

The Board of directors (the Board) of United Utilities Water Limited (UW or the company) confirms that it believes that the proposals submitted are of high quality and meet the requirements of the DWMP planning process<sup>12</sup> and the assurance expectations<sup>3</sup>.

As a consequence of our governance and assurance of our DWMP programme, we are confident that:

- the strategy for assurance and governance processes included all reasonable steps to deliver against the requirements most recently defined by Defra, Ofwat and EA (February 2022);
- during the development of the draft DWMP appropriate governance was applied. Since Board Assurance of the draft DWMP became an additional requirement (February 2022), further UW programme management oversight was put in place to meet expectations for strategic planning frameworks at PR24;
- the draft DWMP is informed by customer research and underpinned by robust optioneering and estimation to ensure it represents a best value plan for customers and the environment.

The company has reviewed risks and issues that it considers material to the DWMP programme and its delivery through the strategic planning frameworks. In this regard, the Board draws attention to the following uncertainties and issues, which in its view will be particularly material:

- the Government's Storm Overflow Discharge Reduction Plan (recent consultation) has new scenarios and some areas of considerable uncertainty, for example around the assessment of ecological harm which underpins initial phases for overflow reductions. Whilst, for draft DWMP, we are able to give a quantum of what this policy would require, a re-assessment between draft and final DWMPs is needed to assess and optimise requirements into the planning process (and is also dependant on the final outcome of the consultation on the overflow reduction plan). Aspects of the draft DWMP associated with storm overflows are exempted from the need for Board Assurance.
- there have been significant delays to WINEP drivers which also impact on the overall DWMP process in terms of possible interactions between WINEP drivers and other wastewater needs, and the time available for option development has been constrained; and
- delivery against the needs set out in DWMP is dependent on separate future Price Review processes, requires partnership working into the future and future regulatory reform is needed (for example, those set out in the live Government's Storm Overflow Discharge Reduction Plan consultation). Uncertainties around future regulatory reform and partnership opportunities are particularly note-worthy:
  - we have developed a partnership opportunity pipeline through the DWMP, but the opportunity, nature, availability and funding for partnership solutions remain a considerable uncertainty in terms of the long term part of drainage and wastewater planning; and
  - similarly, the nature, timing and impact of regulatory reforms will be critical to sewerage infrastructure performance and the cost and deliverability of improvements.

## 1.1 Assurance framework

The company has applied an overarching assurance framework to the development of the DWMP submission. This framework was managed by a dedicated assurance workstream which defined and oversaw the implementation of the governance and assurance activity. Key elements of this framework are set out below:

<sup>1</sup> [Drainage and wastewater management plans: guiding principles for the water industry - GOV.UK](#)

<sup>2</sup> [Drainage and Wastewater Management Plans | Water UK](#)

<sup>3</sup> DWMP\_GP/02/2022, Expectations for assurance of cycle 1 draft and final drainage and wastewater management plans (DWMPs), 18 February 2022

**Clear deliverables**

A detailed programme of work based upon a defined list of external and supporting internal deliverables was established. These deliverables were cross referenced to the DWMP planning process requirements to confirm that all elements were being addressed by the programme.

**Clear accountability**

A programme wide “Responsible, Accountable, Consulted & Informed” RACI matrix has been developed. This sets out Executive accountabilities to the Board for each main component of the submission.

**Comprehensive programme plan**

The individual deliverables were managed through an integrated plan, setting out key internal and external deliverables and dependencies.

**Risk assessment**

Each deliverable in the programme was risk assessed to identify the likelihood and potential consequence of errors. The review ensured appropriate mitigation was in place and confirmed the minimum level of governance and assurance required.

**Three lines of assurance**

Each Executive sponsor was accountable for the assurance of their deliverables. The effectiveness of the framework and completeness of the assurance has been reviewed by UW Corporate Audit with independent technical assurance provided for higher risk elements of the plan.

**Governance**

Each Executive sponsor confirmed that they had successfully completed work which should adequately address all DWMP requirements. This confirmation, together with the findings from the three lines of assurance set out above - was used to support the Board’s decision to sign the assurance statement supporting this submission.

## 1.2 Assurance conclusions

As a consequence of the governance and assurance of the planning process we are confident that:

### **The DWMP guiding principles and the technical framework are being followed and applied**

We are confident we have followed the guiding principles and technical framework appropriately and have checked this as follows:

- additional independent assurance has been undertaken prior to draft DWMP submission to ensure that the DWMP has met the requirements as set out in the Framework for the production of DWMPs, the DWMP Guiding Principles and the Defra letter to CEOs 'Expectations for assurance of cycle 1 draft and final drainage and wastewater management plans (DWMPs) 18/02/22 ref: DWMP\_GP/02/2022';
- Uuw's approach to assurance, has included an independent provider (Jacobs) to undertake aggregate assurance, compiling all assurance activity to validate that any corrective actions have been undertaken. Such assurance has been undertaken across the DWMP programme to assist Uuw in documenting, and agreeing to, the Board Assurance Statement (BAS); and
- Uuws' independent Corporate Audit team, on two occasions prior to draft publication, have reviewed the appropriateness and robustness of the DWMP governance and project management processes and assurance approach.

The assurance findings by Jacobs concluded that **'Overall, we found the Company to be broadly compliant with the DWMP high-level guiding principles and the associated requirements listed in the 'DWMP Risk Assessment Tool 2022', and we have assessed all guiding principles and associated requirements as Green'**.

### **Common and bespoke planning objectives are being met**

Our common planning objectives are: internal flooding, 1 in 50 year flooding, sewer collapses, wastewater treatment compliance and pollution. Our bespoke planning objectives are: flooding of open spaces and external flooding.

The preferred plan delivers against progress towards our objectives with four of our six planning objectives forecast to be met: internal flooding, flooding open spaces, 1 in 50 year flooding and sewer collapses. Potential over achievement is forecast for these targets, resulting from the integrated nature of drainage – options to resolve risk in one performance area often have numerous secondary benefits to other parts of the system.

Two of our objectives, external flooding and pollution, have proved challenging to meet in a cost effective manner. These objectives are impacted by both hydraulic risk and by 'other causes' of capacity constraints, including sewer misuse, blockages and collapses. We consider that there are good reasons to expect that innovation, legislative changes and future improvements in forecasting should be capable of substantially closing the gap for these planning objectives by 2050.

For wastewater treatment compliance into the future the plan has identified significant potential expenditure for a small number of wastewater treatment works due to likely future permit changes and growth. The expenditure profiled is based on best assessments of likely regulatory requirements, however short and long-term uncertainty around the Water Industry National Environment Programme will necessitate changes between the draft and final DWMP.

Similarly storm overflow performance (excluded from this assurance) still requires finalisation of the Government's Storm Overflow Discharge Reduction Plan requirements before we can optimise this within our overall plan. The initial analysis we have carried out has indicated expenditure in this area could be significant and continued engagement on the matter with both regulators and customers will be paramount in agreeing the approach.

The assurance findings by Jacobs concluded that **'Our findings against requirements 1-3 (DW1) [relevant DWMP guiding principles] suggest that UU are meeting all relevant planning objectives'**.

It should be noted that there are some specific short term uncertainties for DWMP and some inherent long-term uncertainties associated with planning over 25 years. In the short term, some key requirements (e.g. finalisation of Government's Storm Overflow Discharge Reduction Plan and publication of some key PR24 WINEP driver guidance) are still to happen. In the longer term the DWMP will need to iterate and inform future Price Reviews using adaptive planning principles.

Future changes will be required to fully deliver against some planning objectives. These are a mix of actions within reasonable management control, such as innovation and future efficiency, and more external actions that we can only influence, such as partnerships, regulatory reform and behaviours that impact performance. These additional actions will be required to fully meet planning objectives and outcomes in some instances, depending on how modelled risks and pressures materialise.

Additionally, currently unknown obligations could arise in future and some local instances of technical infeasibility could arise later in the 25 year planning period when generic requirements can not be implemented in some specific local circumstances.

**There are clear links and processes in place to ensure the appropriate DWMP interventions, including partnership and co-funded schemes, will be put forward for investment in PR24 business plans**

Through our optimisation process we are using a hierarchy of solutions (and blend thereof) and identifying where partnership/catchment solutions may be applicable. We also have a process of ongoing engagement with other Risk Management Authorities and partners through the Strategic Planning Groups. This has enabled the development of a partnership opportunity pipeline. Additional external activity has involved:

- establishing a number of Strategic Partnerships, for example with the Rivers Trust to better take forward multi-benefit catchment improvements; and
- piloting Place Based Planning which will help develop integrated solutions for AMP8 for three strategic catchments – these will also help us better understand and deploy collaborative catchment/partner solutions for future DWMP plan iterations and AMPs.

Our external assurers noted that **'It is clear from other principles [DWMP Guiding Principles], namely requirement 18 (DW6), that the company is seeking to find partnership and co-funded schemes'**.

To ensure internal alignment between the DWMP and PR24 processes a number of links have been established. These include:

- Fortnightly strategic alignment sessions held between teams responsible for developing DWMP and AMP8 strategies. These sessions covered overall programme updates, planning objectives, options development (with particular focus on rainwater management), programme optimisation and AMP8 strategy development. This ensured that common assumptions and approaches were used. By holding these sessions it has ensured that AMP8 strategy is being developed in the context of the long term;
- Representation on key DWMP governance groups from the teams responsible for AMP8 strategies and the Head of Wastewater Price control to ensure alignment; and
- The DWMP team and AMP8 strategy teams are working to a common solution development hierarchy; and
- Directors and senior leadership responsible for the DWMP are represented on the PR24 Programme Board and sub-groups.

Our external assurers, Jacobs, commented that **'the [DWMP] team works closely with Head of the Wastewater Price Control, who leads the Price review work, so there will be alignment between DWMP and PR24 business plan proposals. There are fortnightly alignment meetings to ensure the DWMP and AMP8 strategies are aligned'**.

It should be noted that, at time of writing, some key WINEP driver guidance is still not available and this is needed to link DWMP into AMP8, by confirming the short term statutory element of our DWMP proposals.

### **Measures are in place to achieve objectives set in the Government's Storm Overflows Discharge Reduction Plan (assurance not expected on this in statements accompanying draft plans).**

Due to the timing of the consultation on the Government's Storm Overflows Discharge Reduction Plan it has been recognised that it would not be possible for companies to have fully considered this development yet within the DWMP process, which has been running for over three years.

However, in order to understand the quantum of the proposed storm overflow requirements, and make the draft DWMP consultation meaningful, we have included a high level assessment of the potential costs. The impacts of finalised storm over requirements will require integration into DWMPs given the interconnected nature of drainage and wastewater management. Between draft and final DWMP, following publication of the final Storm Overflows Discharge Reduction Plan in September 2022, we will carry out more detailed assessments and optimisations to better understand the optimal approach to meet the proposed requirements. It will then be possible to use the tools created for DWMP to identify and integrate overflow needs into the plan. This will include any synergies between solutions and timing with the optimised cost beneficial programme and other WINEP drivers.

### **It is a best value plan for customers and the environment for managing and developing drainage and wastewater services and is based on robust evidence and costing processes.**

We are confident we have developed a robust set of tools to identify risk and options and an optimiser that can identify the best blends (including partnerships) for solutions to meet objectives. This is all done within a solution hierarchy that promotes multi benefit solutions and "least regrets" solutions first. We are also confident that our estimation of costs to inform this process is robust, within the inherent limitations of a DWMP that considers needs and solutions over a 25 year period, and noting that solutions and business cases will be refined further as part of normal Price Reviews processes.

We also tested customer views thoroughly. To enable successful customer engagement and research, UUW's customer challenge panel, 'YourVoice', were involved in the development of materials to upskill customers, thereby ensuring customers were able to make informed choices.

Through the independent assurance of our DWMP, Jacobs' conclusions on this requirement were:

- **'Estimating assumptions are consistent across all options;**
- **Multi-capitals qualitative assessment undertaken to consider wider costs and benefits;**
- **All options have associated monetary costs and benefits from which the cost benefit assessments are derived;**
- **Optimisation undertaken to assess value for money e.g., when is the optimum time to implement a solution to generate the best results;**
- **Customer engagement undertaken to assess appetite for risk;**
- **UUW has evidence of partnerships with other organisations and stakeholders with commitment on investment, however most other organisations do not have long-term (25-year) plans;**
- **DWMP BRAVA process used to select options based on risk. Checks and external assurance undertaken to ensure a robust costing process; and**
- **On the basis of the above, we consider UUW are compliant against this requirement'.**

In providing our draft DWMP, and to support this assurance statement, UUW has evidenced comprehensive coverage of the requirements set out by Defra, EA and Ofwat. This assessment is supported by Jacobs, the appointed overarching assurance aggregator, who concluded in their letter of 14<sup>th</sup> June 2022 that:

**'Overall, we found the Company to be broadly compliant with the DWMP high-level guiding principles and the associated requirements listed in the 'DWMP Risk Assessment Tool 2022'.**

**'We have however, highlighted a couple of areas where the requirements were unclear; or guidance was issued late, such as the 'Stormwater Overflow Guidance'. Whilst this was not deemed to be a material concern for the**

**draft submission, we recommended that these requirements are considered prior to submission of the final DWMP and confirm that this requirement was subsequently incorporated into the Draft DWMP and will be subject to further review in advance of the Final submission’.**

External assurance activities undertaken by Jacobs identified a number of actions, which were required to be addressed prior to submission. Having provided Jacobs with evidence that these actions have been addressed, they confirm:

**‘External and internal assurance activities undertaken by Jacobs and UU Corporate Audit resulted in a number of actions, which were required to be addressed prior to submission. Evidence has been provided by U UW confirming the actions have now been completed, or their reasoning for deferring or not completing. Aside from some minor exceptions, we are broadly satisfied with the evidence and explanations provided and we have no further recommendations to add’.**

### 1.3 Summary conclusion

The Board believes that the draft DWMP submission is of high quality and meets the requirement of the DWMP Guiding Principles and the Framework for the production of Drainage and Wastewater Management Plans. Where uncertainty exists we have identified this and our approach to manage. We have also set out the actions required to be completed between draft and final DWMPs, in addition to acting on feedback we receive through the consultation.

Signed on behalf of the Board of United Utilities Water



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