

# Assurance Framework and Data Assurance Plan (K7)

May 2025



## Contents

Introduction	3
Executive summary	4
Our integrated assurance approach	5
Summary of compliance requirements	8
Annual Performance Reporting data approach and risk assessment	10
Continual improvement – management systems	11
Timeline	12
Our 2025-2030 Business Plan	13

# Assurance Framework and Data Assurance Plan

In line with our purpose, we are committed to acting with integrity and being trusted under our value of being **Rock Solid**. This document outlines our assurance framework for data and plan for data assurance relating to 2024/25, the final year of K7 (2020-25), including annual reporting. This document aims to clearly outline the concepts of the framework, noting that more detail for procedures actually performed is included in relevant submissions – such as the Annual Performance Report.

## Our purpose

**Bringing water to life** – supporting the lives of people and the places they love for generations to come

## Our values

South West Water and SES Water, as part of the Pennon Group, are committed purpose and values based, and driven businesses. During the previous year, we carried out stakeholder interviews, leadership sessions, sessions with our trade union and employee forums, as well as undertaking external and competitor research.

In line with this activity, we have identified three clear values, one for each of the three themes which emerged of Trust, Responsibility and being Future Focused. These values are:



We want you to be the one we all look to. Be trusted. Act with integrity and make good on your promises. Build trust, one relationship at a time. Be rock solid.



We want you to bring your best everyday. Be open and inclusive, work together and win as one team. Let your passion inspire those around you. Be authentic, make your mark and be you.



We encourage you to be curious and challenge convention. Share ideas with confidence and purpose, and help shape our future. Embrace change. Drive progress. Own the challenge. Be the future.

We believe our three new values are powerful. Our focus on **“Being Rock Solid”** in the way we act and build trust, in particular externally, is not only critical to us in the light of the current attention on the water sector, but also at all times as custodians of the most precious resource of water.

# Executive summary



The data and information we report is one of the most important areas we know we need to ensure trust in. But not only does our data need to be trusted, we also know we need to be as transparent as possible and open in providing informative data wherever we can, in as convenient and open ways as possible.

This framework and plan covers the merged South West Water Limited licence, including responsibilities for drinking water and wastewater services in our original area (Devon and Cornwall as well as parts of Dorset and Somerset), the Isles of Scilly and drinking water services in the Bournemouth Water and Bristol Water areas. Assurance activities for data and information are carried out consistently across the Company.

In June 2024 the Competition and Markets Authority (CMA) cleared the merger of SES Water with South West Water, following acquisition of SES Water by Pennon Group plc in January 2024. SES Water currently remains a separately licenced water company.

In October 2024 SES Water adopted the Pennon Group governance framework, including this Assurance Framework.

Our long-established Integrated Assurance Framework, which incorporates a robust 'three lines model.' This framework is applied flexibly to areas where assurance is required, considering both the risk that the information or data may be incorrectly reported and the appropriate options for assurance.

This published Assurance Plan focuses on the regulatory data and required associated reporting. In previous years, we have included some other wider strategic areas, but for these we generally now adopt and publish separate assurance statements and/or documents summarising assurance processes. We believe this year's clearer focus will allow a more clear and direct approach, with more detail where required, to allow a greater understanding of our assurance approach to the data we report.

This document primarily addresses assurance for 2024/25 annual reporting as well as our current approach to regular and other anticipated significant regulatory data requests, and publications. We will also soon publish an Assurance Strategy outlining our approach to reporting for the 2025-2030 period (K8).

# Our integrated assurance approach

South West Water and SES Water, as part of the Pennon Group, have a mature, risk-based integrated assurance framework which is fully embedded into our governance structures and reflects our values of being ‘trusted’ and ‘responsible’ in the way we carry out our business.

This integrated assurance approach ensures an appropriate balance of assurance is applied dependent on the assessed risk and complexity of assurance requirements. The integrated assurance approach includes:



The integrated assurance framework is applied to all areas of the business. The mix of assurance methods used is reviewed by the South West Water and SES Water Audit Committees, which is responsible for ensuring a robust and comprehensive internal control framework is in place to support Board assurance and compliance requirements.

The South West Water Board and SES Water Board recognise the importance of meeting the Companies' statutory, licence and regulatory obligations and believes that the Companies are aware of and adequately understand these obligations and have met them in all material respects as diligent companies.

This Assurance Plan details key assurance activities that the Boards will oversee and our annual reporting will lay down further detail on the outcome of these assurance activities and the Boards' conclusions.

## The effective operation of our 1st & 2nd Line procedures

All data submissions are subject to an enhanced compliance procedure which builds upon the three lined approach of the long-established Integrated Assurance Framework.

For significant and strategic submissions, such as the APR, WRMP, DWMP, and PR24 data tables, this includes the requirement for independent assurance from either external technical specialist providers or the independent Group Internal Audit, alongside a formal 1st line sign-off process up to Executive Director level, supplemented by additional 2nd line data checking and validation.

Data and applicable methodology are subject to 'in the line' reviews by the nominated senior manager reviewer and accountable Director. These checks will include aspects such as the extent to which the methodology complies with the relevant guidance, the source of data used in calculations and judgements and assumptions applied.

Where submissions are low risk/complexity and are not strategically significant, at a minimum a sign-off process will still be implemented, with additional processes as determined appropriate and agreed with the Compliance function.

We operate a centralised approach to second line assurance via the Risk and Compliance function. This function plays a critical role for ensuring the effectiveness of the process from the first line assurance through to coordinating the 3rd Line assurance (detailed on the next page).

The Risk and Compliance function will also perform targeted checks, which are determined by the specific regulatory data being reported but will typically include ensuring first line checks have been completed and evidence, tracing data back to source systems and checking the accuracy of calculations.

The Risk and Compliance function will also review the output from third line assurance activity and support individual functions in implementing any improvements that have been highlighted through the assurance process.

### **Overview of our approach to third-party assurance – APR and similar submissions/publications**

Once second line assurance checks have been completed external third line assurance is undertaken as part of our annual external technical audit which is completed by our external technical and financial assurers.

Unless deemed low risk, for the APR and other similar data submissions, all data tables submitted are subject to this independent third line assurance.

This is key to our assurance approach for such submissions. For the APR, the external technical audit covers all the non-financial data tables as well as associated items (such as compliance checklists for common performance commitments). Subject to risk-based considerations across the data tables and other submissions detailed testing and challenge is performed including:

- A review of documented methodology and commentary for compliance with internal and external reporting requirements as well as definitions within relevant guidance (such as Regulatory Accounting Guidelines 4 (RAG4) and PR19 final determination ODI definitions)
- The documentation of assumptions, and whether they are reasonable
- The production of data in accordance with the documented methodology
- Consistency of data with previously reported information
- Preparation of the data in accordance with relevant Ofwat guidance, including amendments to guidance and queries
- A review of any proposed exceptions for ODIs as well as processes for challenging any judgemental classifications
- The format of data for publication
- Internal review and sign-off procedures.

Following each audit, we receive a summary of each audit and action areas/recommendations/observations ranked by importance and these actions/recommendations are tracked for future improvements to our reporting processes.

### **Primary third-party financial assurance providers**

For sections 1 and 2 of the APR, in line with Pennon Group plc, South West Water Limited and SES Water plc appointing PwC as statutory financial auditor, PwC perform a regulatory financial audit of these tables.

For certain other tables, as listed in the APR assurance section, PwC also provide financial assurance under 'agreed upon procedures' on financial data. This has been carefully considered balancing the self-interest threat in respect to non-statutory audit services being performed by the Group's statutory auditor, and the linkage between section 1 and 2 of the APR and other related data tables.

### **Primary third-party technical assurance providers**

South West Water has appointed both Turner & Townsend and Jacobs to provide third-party technical assurance over relevant areas of its business plan. SES Water has appointed Mott MacDonald. These appointments have been made following assessment of relevant experience and performance, for example in performance as APR technical assurers.

### **Additional specific areas**

Where necessary in addition to the appointment of these three primary third-party assurers, we have obtained other specific third-party assurance in specialist areas by specialist providers where deemed appropriate, for example:

- **ESG data** – As part of the Pennon Group plc reporting process, ESG data is also subject to a limited assurance engagement with Jacobs
- **Financeability and credit status** – alongside assurance of the financial data tables (and modelling) we obtain additional assurance in respect of financial resilience assessments.

### Triage of ad-hoc data requests

In addition to regular data submissions and requests, we also receive an increasing volume of ad-hoc requests for data and other information, some of which are extensive and detailed, while others are more specific though may have a short timeframe requirement.

A compliance assessment has now been added to a formal triage process, where alongside the central Regulatory team identifying the appropriate levels of response, the Compliance function will review the appropriate level of compliance activity (and any caveats required in line with timeframes). As a minimum for all non-trivial requests, a formal first line sign-off process will be implemented and in line with regular reviews, second and third line compliance procedures will also be utilised as appropriate.

### Independent assurance provided by the WaterShare+ Customer Advisory Panel

The WaterShare+ Customer Advisory Panel is an independent customer group that holds the companies to account both on its current performance and ensuring the future plans represent customer views. The panel provides assurance to our customers and stakeholders on the reporting of performance and company plans to improve in relevant areas.

Amongst its work, the Panel holds in-depth sessions with the Executive Directors reviewing operational issues that the Company faces. It also reviews the companies' data, information and assurance regime and the audit findings of the companies' independent technical assurers for ODIs/performance commitments, Jacobs and Mott MacDonald. The Panel receives an assurance report from the independent assurer concerning the reliability and accuracy of the data.

The Panel has integrated with the Bristol Water Challenge Panel following the merger to ensure full review of South West Water's performance across its areas of operation. SES Water is also being integrated into the WaterShare+ model, having operated its own scrutiny panel.

The panel devotes significant amounts of time, to go beyond data accuracy and reliability, considering the work the company is undertaking in respect of specific important and challenging areas of performance.

The Panel produces a summary report of its work in respect of company performance, published in the Annual Performance Report and separately produces its own thorough Annual Report, covering the full breadth of its work.

## WaterShare+



WaterShare+ Customer Advisory Panel



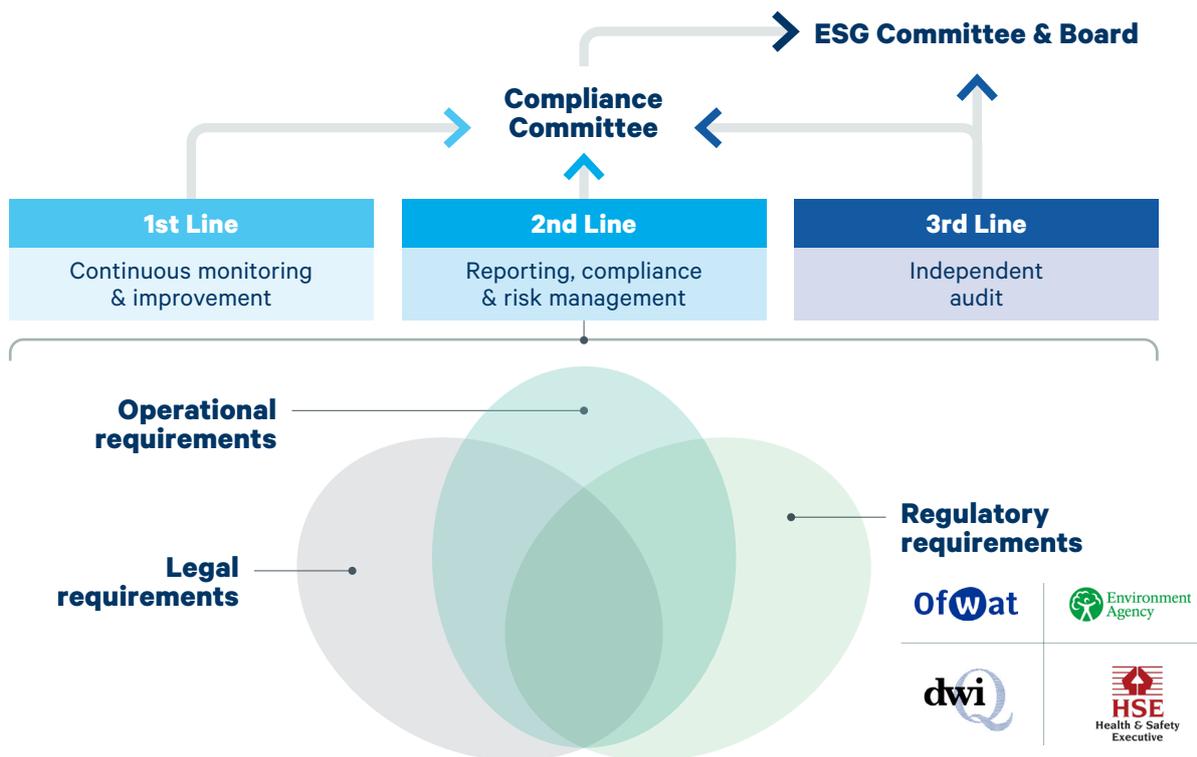
Find out more here

WaterShare+ Annual Report

# Summary of compliance requirements

Beyond the Annual Performance Report, the diagram below sets out the compliance requirements for the business – which will continue to develop, particularly in a changing regulatory environment.

Key to the compliance strategy is ensuring we have strong controls and assurance over each of these areas using our three-lines of defence. In addition, aligning responsibilities across the organisation with clear, transparent reporting is critical to enhancing our compliance culture and approach.



## Other significant annual regulatory reporting data

As detailed on pages 5 and 6 there are a variety of submissions either similar or complementary to the Annual Performance Report, in other relevant annual data areas, or ad-hoc data submissions. We receive these requests in a variety of means from external regulators and others.

We have processes in place to ensure that these submissions are captured centrally and are considered on a risk based approach in line with the complexity and nature of the submission, for compliance and assurance procedures in line with this assurance framework. A key component of these considerations is the importance of the submission and external scrutiny it will be subject to.

Stakeholders and the wider public are increasingly interested in the impact of water companies' operations, for example in the area of wastewater performance including beach water quality.

The increased interest stretches to areas where until recently information has not been complete or has not been collated across the industry.

For example, South West Water recognises the increased public interest in discharges from storm overflows.

Storm overflows are legal discharges from the wastewater collection network that occur in very wet weather to prevent flooding of homes and businesses. We have implemented a number of initiatives, including advanced investment, to ensure that further important data is available in this area, including real time information which can be monitored by operational teams. We have recognised that it has been important to ensure that assurance processes surrounding this enhanced level of wastewater environmental data is thorough and we will maintain our significant levels of compliance and assurance activity in this area over the coming year.

### Examples of other data submissions

As previously mentioned, we have a range of annual, regular and ad-hoc data submissions, for which we consider the appropriate level of compliance and assurance activities.

#### Event Duration Monitoring (EDM) Annual Return

A key wastewater environmental data submission (and publication) is the annual EDM return, provides data on the length of time for which our monitored storm overflows have been used during the year. This dataset receives heightened external scrutiny, and particularly influences public perception over the performance of water companies. It is therefore vital that we continue to review this data to ensure it is fully representative, accurate and reliable.

Following internal first and second line review, our independent third line group audit function provide primary audit over the detailed submission, with further external specialist review commissioned. Following review of compliance and assurance activities by the Executive level Compliance Committee, the return is reviewed and scrutinised by the Board and/or Board Committee prior to its submission.



Event and duration monitoring 2023

#### Ofwat Quarterly Reporting

We report quarterly to our economic regulator, Ofwat, both for our ODI performance in 12 key areas across our regions, and performance in respect of service commitment plan actions for Bristol Water which has moved from the lagging category in 2022/23 to average in 2023/24.

For this area we have added additional half year external assurance of these ODI areas from our external technical assurers, Jacobs.

These returns are also subject to full internal sign-off and review at the Executive level Compliance Committee prior to submission.

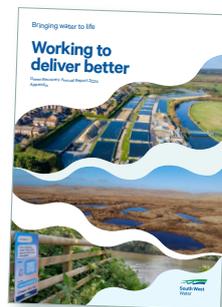


Service Commitment Plan and Performance reports

#### Green Recovery Annual Report

This report is published and submitted alongside the South West Water Annual Performance Report (APR) and provides a progress update on our Green Economic Recovery projects. These are projects where we are performing significant additional or advanced schemes, to both benefit customers and/or the environment and to boost the economic recovery in our regions.

For this, we have aligned compliance and assurance processes with our Annual Performance Report, reflecting the significance we place on this report.



Green Recovery Annual Report 2024

# Annual Performance Reporting data approach and risk assessment

Our default approach is that all data contained within the APR is subject to external assurance by one of our external assurers.

Last year we undertook a process of fully refreshing and updating our underlying data collation methodologies including a full process risk assessment for data accuracy. This exercise included a review of controls in place to mitigate identified process risks to data completeness and accuracy. We also updated our confidence assessments of our confidence in data reliability and accuracy.

For 2024/25 we have further reflected on this, including implementing the results of audit feedback.

## ODI data risk assessment

For our reporting of performance commitment data we have undertaken a further risk review, considering the following factors:

- The relative importance of the measure
- The complexity and degree of judgement involved
- Whether the measure has financial or reputational only impacts
- The long term importance of measures in the context of future business plans
- Other factors including prior audit history.

## Results of our assessments

Where our assessments have been reviewed in the round and identified a heightened level of risk, we perform targeted additional procedures to mitigate this risk. Where areas are identified as a particularly low risk, such as lack of activity in the year in line with plans, an internal review of the data may be performed in lieu of the standard procedures.

### Higher risk areas identified

- **Leakage, consumption and water balance data** – a technically complex area subject to judgement, where we have implemented a more thorough deep dive approach and detailed review of relevant assumptions
- **Wastewater environmental data (including pollution and combined sewer overflow data)** – an area of increasingly extensive external interest and scrutiny, where available data is also rapidly expanding (for example with significantly expanding numbers of monitors installed in recent years). Reliable data is also required internally to ensure appropriate action is taken to improve environmental performance.

- **Drinking water quality data** – has been identified as an area for particular focus, given the supply of clean, safe and reliable drinking water being the number one priority for household and business customers alike. It also is an area of focus for our service commitment plan across South West, Bournemouth and Bristol areas

### Lower risk areas identified

There are a number of performance commitment areas where there the reported status has not changed from the previous year as all relevant activity was completed in previous years (e.g. extending our licence to cover the Isles of Scilly) and a limited internal review has been completed.

## Certificates of Effective Internal Control

Executive Directors and senior managers are required to complete an annual 'Certificate of Effective Internal Control' prior to the finalisation of the financial statements and before publishing any annual performance data.

These include:

- The effective operation of risk management processes, including identification of necessary control activities
- Operation in line with policy with no material control breakdowns or weaknesses
- Compliance with laws and regulations as well as policies and procedures
- Compliance with the Code of Conduct and associated policies
- No knowledge of fraudulent activities.

Where one or more of these assertions cannot be made the relevant matter is disclosed fully in the certificate to the Board.

# Continual improvement – management systems

We are committed to driving improvements in our performance both in the period to 2025 and beyond. The quality of our data is integral for us to be able to make these improvements and to be properly held to account.

Wherever possible South West Water uses the results of assurance work performed to drive continual improvement and actively seeks the opinions of internal and external assurance providers concerning improvements that can be made.

Continual improvement is also a core concept of the ISO accreditations and certifications. South West Water has currently chosen to adopt and has achieved accreditation/certification against the following standards:

- ISO 9001:2015 – Quality Management Systems<sup>1</sup>
- ISO 14001:2015 – Environmental Management Systems<sup>1</sup>
- ISO 45001:2018 – Occupational Health & Safety
- ISO 17025:2017 – Testing and Calibration Laboratories
- ISO 27001:2013 – Information Security Management
- ISO 50001:2011 – Energy Management Systems
- ISO 55001:2014 – Asset Management
- BS ISO 22458:2022 – Customer Vulnerability



These systems comprise sets of policies and procedures to help ensure that South West Water meets customer and stakeholder requirements, effectively handles environmental issues and mitigates the Company's impact on the environment, , effectively manages occupational health and safety risks, competently obtains sales – generating valid sample results, systematically manages sensitive data – reducing likelihood and impacts of security breaches, delivers best practices in our energy management and has systems in place to manage the lifecycle of our assets.

The ISO standards are audited under a comprehensive programme of internal audit and a regular external audit provided by accredited ISO certifying companies.

South West Water's operations are also subject to cyclical risk based internal audits performed by the independent Pennon Group Internal Audit function, reporting to the Audit Committee.

Following a significant period of external assurance activity South West Water has an open dialogue with the assurance providers to review the activity, to confirm its appropriateness and to seek ways of continually improving the approach and processes for future assurance

## Management system strategy

As we approach the new regulatory period, we are refreshing our management system strategy, ensuring we are consciously determining which systems are important for us in delivering the priorities identified for the 2025-2030 business plan and maximising the impact these systems can have within the Company. We will report on any updates in the next plan.

## Bristol Water and SES Water

Bristol Water now forms part of South West Water Limited. The scope of South West Water's quality, environmental, information security and energy management system certifications does not currently include Bristol Water. It holds a separate ISO 9001 quality management systems certification. We are planning to extend the scope of South West Water's certifications to include Bristol Water. We have not rushed this process as we wish to ensure we achieve maximum benefit.

SES Water holds its own certifications as a separate licenced company. Adoption of further standards is under review.

<sup>1</sup> Also held by SES Water

# Timeline

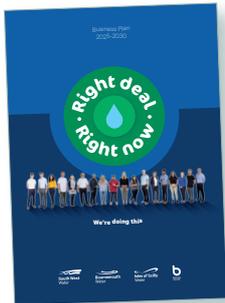
In this publication, we have outlined our approach for data assurance, including for our annual reporting, however more broadly the measures outlined in this plan apply to significant regulatory data publications and submissions made throughout the year.

The diagram below shows key known submissions, but the framework is also considered for other submissions, including ad-hoc submissions.



\* Includes South West Water and SES Water components of Pennon Group plc reporting

# Our 2025-2030 Business Plan



Our assurance plan contained in this document covers data largely being reported in respect of our 2020-2025 Business Plan. So far during this extraordinary period we have responded to weather patterns testing our operational resilience and inflationary pressures which have proved our financial resilience and been required to pivot to focus on the things that matter to all of us right now.

In the light of massive challenges for our sector, more and new customers as a result of Pennon's acquisition of Bristol Water and SES Water, our plan for 2025-2030 is very different from the current plan. The new plan reflects the priorities of the region, tackles the biggest challenges head on and takes account of the revised regulatory and legislative requirements. The £3.2 billion investment programme for the Group is therefore a plan for water just as much as it is for wastewater.

The new plan is important to all stakeholders, including our customers with levels of customer support for tackling the key challenges contained in it exceeding 90%. Therefore, we know expectations upon us for more data and reporting, which everyone can trust, will rightfully increase. We are preparing for this and are fundamentally reviewing our framework, approach and plans for both 2024/25 data as well as the new regulatory period.

Rebuilding trust over time through our actions is at the heart of our Board pledges for 2025-2030 which we have evolved to support the plan for 2025-2030, some being new, and some being recommitments.

We will report next year on any revisions to our framework and our assurance plan response to meet data and reporting quality expectations, given the size and scale of our ambitious 2025-2030 Business Plan.



## SES Water

This plan covers South West Water Limited and its licence. From October 2024, SES Water was integrated into Pennon Group's governance framework and this Assurance Framework now also covers SES Water.

# Feedback

We welcome any feedback on our assurance framework and plans at any time. Please feel free to send us your comments by email or post.

## Email

[riskandcompliance@southwestwater.co.uk](mailto:riskandcompliance@southwestwater.co.uk)

## Post

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South West Water  
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We keep our plans for assurance under review and update them when required (in line with any additional requirements, expectations or feedback received). We will provide updates on any significant changes due to feedback received in next year's published plan.

