



Company Monitoring Framework 2018/19

Strengths, risks and weaknesses
statement and final assurance plan

Published March 2019

Our business

We supply top quality drinking water to **2.2 million** customers in the south east of England. Through a network of **9,000 miles** of pipe, we deliver **517 million** litres of water every day. The skill and expertise of our employees ensures our customers' water meets the highest of standards.

Our vision

Our vision is to be the water company people want to be supplied by and want to work for. Everything we do is underpinned by technical excellence.

How we invest in your water

Where each £1 of your bill is spent

Water extraction



8%

Getting the water to you



43%

Water treatment



21%

Customer service



8%

Interest and tax



15%

Dividends



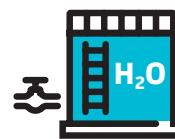
5%

Good to know



517 million litres of water a day

– that's how much water we produce in order to supply around 2.2 million people



83 water treatment works

– that's how we ensure our water is of the highest quality



500,000 water quality tests each year

– that's how we ensure your water meets the highest standards



9,000 miles of water mains

– that's how we transfer fresh drinking water direct to your tap



983 employees

– that's how we make sure your water supply runs 24 hours a day, 365 days a year

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Welcome



About this document

Welcome to South East Water's fourth company monitoring framework report in which we are publishing our strengths, risks and weaknesses statement and final assurance plan for 2018/19.

In June 2015 Ofwat published guidance on its company monitoring framework – it said:

"The company monitoring framework is a tool to challenge all companies to provide information for customers and stakeholders that is reliable, timely, appropriate to the audience, and for companies to be transparent with customers and stakeholders about the data assurance they put in place."

Photo:

We're here to help

Our dedicated Customer Care team regularly attend community events to help all our customers find the right services for them and encourage people who may need extra help to sign up to our Priority Services Register

Each year Ofwat categorises companies into either self-assured, targeted or prescribed.

For our 2018 assessment, we were placed into the targeted category which is a reduction from the previous two years as self-assured. We are disappointed with this assessment and will be doing everything we can to rectify the minor concerns that Ofwat has identified to regain our self-assured status.



Ofwat's 2018 assessment

In January 2019 Ofwat published its Company Monitoring Framework Assessment 2018 in which we were recognised for the quality of the information we provide in most areas, but had four areas with minor concerns.

The report is an annual assessment on the quality of information and assurance all water companies provide customers about their performance and is intended to challenge them to publish information that can be trusted by their customers.

This resulted in South East Water being moved into the targeted category.

In their assessment, Ofwat said:

"The company met our expectations in many areas and exceeded our expectations in two areas, the assurance plan and water resources management plan (WRMP) and market information. However, we had minor concerns in four areas; the financial monitoring framework, charges engagement,

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We aim to publish information that can be trusted by our customers

PR19 business plan data consistency and PR19 business plan data quality.

"Given the number of concerns we consider that overall the company has not consistently met the high standards expected in order to be assessed as self-assurance."

This status means that we are required to publish a full analysis of the strengths, risks and weaknesses in relation to data and information provision and we need to publish a summary of the outcome of the assurance that has been carried out. In practice we have always published this for these elements, while self-assured (though not required to), so the format of our company monitoring framework remains unchanged.

We will continue to learn from our individual assessment and the best practice identified during the industry assessment to ensure that we improve the information that we provide to our customers and stakeholders.

About this document continued

Our plans for publishing our future company monitoring frameworks

All companies in the targeted assurance band are required to:

- identify the risks, strengths and weaknesses in providing the quality of information that stakeholders want and trust
- carry out an exercise with stakeholders to target issues to address
- consult on their draft assurance plans to ensure that they are sufficient to address the issues identified
- publish a statement on this in the autumn of each year

Since the introduction of the company monitoring framework we have always produced this level of information. Therefore the content of this document remains consistent with our approach in previous years.

How we are approaching our company monitoring framework

We reviewed our company monitoring framework from previous years and were pleased with how comprehensive they were, based on the response we received from our engagement, and how it compared to others that were produced. For our 2018/19 company monitoring framework publication, we have updated our risk assessments and enlarged our scope, but the process that we undertook has remained consistent.

We have added three new publications to our risk assessments:

- Guidance on allocation and calculation of costs for self-lay water mains
- Water and Farming Partnership capital grants booklet
- ‘Beast from the East’ Incident Response South East Water Action Plan

We have combined the Annual reporting/Annual Performance Report risks with those of the cost assessment tables (a regulatory submission to Ofwat) as they are now published as one document.

One of the major improvements we have made in recent years is to make our annual reporting more engaging. Feedback we receive each year from our customers and stakeholders is providing us with valuable suggestions as to how we can make improvements to the presentation and content of the information we provide.

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We are keen to provide our customers with comparative information relating to our performance



Discover Water

At South East Water, we are keen to provide our customers with comparative information relating to our performance. This increases transparency and is an improvement that stakeholders have requested. Discover Water is a collaborative water sector-wide project, led and funded by water companies but delivered by an independent third party. We were pleased to participate in the steering group for this project and continue to work with the team as the website develops.

The website can answer a lot of day-to-day questions about our industry, along with showing customers quickly and easily how we are performing and compare us with other companies.

The information is on the website: **discoverwater.co.uk** and has a range of data covering water quality, public health, customer service and environmental aspects of water and wastewater services.

There is also more detailed information about our own results and why there may be differences between companies on our website: **southeastwater.co.uk/discoverwater**

The remainder of this document is split into three sections as follows:

- 2018/19 company monitoring framework update
- 2018/19 risk analysis
- appendix – the process we follow to define our risks and assurance



March 2018 interruption to supply

It's been a year since the snow and freezing temperatures caused by the 'Beast from the East' and the subsequent sudden thaw, led to a significant increase in burst pipes, leaks and demand for water.

This resulted in the draining of a number of our service reservoirs, which hold treated water, and in turn, saw 27,000 customers lose their tap water supply, with up to 6,000 of those having no water for more than 48 hours.

Following this incident we carried out a thorough review to learn lessons and implement actions that aim to reduce the impact or likelihood of a similar event in the future.

Our report was published in September 2018, and responded to the specific actions Ofwat laid out in its report 'Out in the Cold: Water companies' response to the 'Beast from the East' and the company specific letter we received on 19 June 2018.

It included 61 actions that we have committed to implement. This will reduce the likelihood that such an event would happen again, and should it happen, that the impact to customers would be significantly less.

Photo:

Organising alternative water

Our team were on hand to talk to customers and we arranged deliveries for all on our priority services register



“

We have put in place additional stocks of bottled water across our region

Six months into the implementation of this plan and many of our actions are already completed and improvements embedded into the way we work. These include:

- full review and repair to pipe lagging and trace heating on our pipes and equipment
- new operational resilience modelling tool to plan maintenance activities
- put in place additional stocks of bottled water across our region
- our incident teams have undertaken a simulation test event, witnessed by representatives of Defra, for an extreme regional weather event
- increased numbers on standby when extreme weather is forecast
- defined a new policy for customer-side leak investigation and repair
- improved our In Your Area map and text service

- braille ID services to improve our services to our blind customers
- we are now undertaking resilience reviews with our key customers, such as hospitals, prisons and farmers
- improved ‘wrap up for winter’ communication campaign, including the offer of free winter kits

An updated summary of this action plan is incorporated into our company monitoring framework on page 20.

To read the full report see:
corporate.southeastwater.co.uk/actionplan

Company monitoring framework: 2018 assessment individual company report – South East Water

We will be assessing the minor concerns and areas of improvement set out in Ofwat's 2018 assessment of our company monitoring framework. We will review other company's areas of 'exceeding expectation' to deliver these improvements for the October 2019 publication.

We were pleased to retain our previous high standard in many of the assessment areas. Ofwat said "The Company met our expectations in many areas and exceeded our expectations in two areas, the assurance plan and water resources management plan (WRMP) and market information."

We will use the lessons learned from these areas that exceed expectations to raise the standard of all our publications.

We were disappointed that Ofwat had minor concerns in four areas; the financial monitoring framework, charges engagement, PR19 business plan data consistency and PR19 business plan data quality.

Our action plan will review Ofwat's concerns in detail and put in place actions to try to resolve these concerns.

Financial monitoring framework

Ofwat said: "Overall we had minor concerns regarding the transparency and consistency of the information published by South East Water in relation to financial monitoring. We identified a number of errors, which indicated that South East Water had not followed our reporting guidance and raised minor concerns regarding the quality of the assurance processes in place. We raised queries to obtain clarification on some of the financial metrics disclosed in its Annual Performance Report, some of which resulted in adjustments and corrections. However some discrepancies were a result of simple typos and not providing data to two decimal places."

Our assurance process is a risk based framework that has steps built in to check compliance against the reporting requirements. We note that there were only a small number of minor errors identified. A further level of checking will be introduced to ensure compliance with these steps.

Charges engagement

Ofwat said: "However, overall we had minor concerns in relation to the quality of the charging documents. The company used inconsistent terminology and did not mention the income offset at all in its charging rules. In addition, we expected more detail on how charges for developer services are derived. No worked examples were provided to help with understanding. It was not clear whether charges are fixed or estimates in the company's new connection charging arrangements."

We will address the issue raised by Ofwat to make sure these are addressed in the charging document publications. We are in the process of creating an Insight hub that will pull together all the customer research, this will also be used to ensure a consistent approach and messages across the business and should reduce the risk of inconsistent terminology.

PR19 Initial assessment of business plans – data consistency

Ofwat said: "We found minor issues overall with the consistency of performance and financial data reported in the company's business plan tables with previous data submissions. We identified inconsistencies between the company's business plan and Annual Performance Report in the areas of cost assessment, outcomes (affordability and vulnerability) and risk and return."

PR19 Initial assessment of business plans – data quality

Ofwat said: "Overall the business plan falls short of providing sufficient and convincing evidence that the company's PR19 business plan tables including the allocation of costs between business units, information on corporation tax, and the assurance and commentary provided are consistent, accurate and assured. We identified several issues within the data tables in relation to outcomes, cost assessment, risk and return and financial modelling. For example, in outcomes, for the affordability and vulnerability table, the number of people on the Priority Services Register was missing and the table included a misleading total with no explanation."

We will review these concerns in detail and feed the lessons learned into our ongoing publications, our PR19 IAP response and the PR24 business plan. We accept there were some minor discrepancies (less than one per cent) across more than 70 data tables and many thousands of data entry fields included in our business plan. We are constantly updating our monitoring and assurance to improve the quality and consistency of our published data.

To read Ofwat's full report see:

www.ofwat.gov.uk/publication/company-monitoring-framework-2018-assessment-individual-company-report-south-east-water/

Section 1



2018/19 update

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Photo:

Understanding society's needs

We held a workshop with stakeholders from around our region to discuss the issues facing our society and the part South East Water should play



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We placed significant importance on consulting our stakeholders to understand their opinion on the information we provide

Purpose of this document

This document sets out what we do to ensure that the data and information we publish is reliable, transparent, timely and appropriate to the audience.

What are we trying to achieve?

As part of producing this document we have spoken to our key stakeholders to understand the information they use and rely on so that we can tailor our assurance activities accordingly.

We try to make sure our documents are written in a format that is easy to understand for our customers and stakeholders and have also discussed this with them to identify if any improvements can be made.

This document explains how we identify any risks with the information we publish, how we check data and carry out assurance as well as how we intend to continually improve to ensure any risks we have found are managed.

On page 15 we have summarised these in a **strengths, risks and weaknesses statement**.

On pages 16 and 17 we have also set out the assurance outcome actions we believe necessary to address any of the strengths, risks and weaknesses we have identified – we call this our **final assurance plan**.

When we developed our company monitoring framework initially we placed significant importance on consulting our stakeholders to understand their opinion on the information we provide. As a result we sought to engage with our key stakeholders (Consumer Council for Water, Environment Agency, Natural England and our Customer Challenge Group). This year we have undertaken customer and stakeholder focus groups to give us greater understanding of the information that these key groups would like to receive.

Section 1 continued



Your feedback is important to us

We welcome your views on our company monitoring framework – specifically if you think we have omitted a key issue, not addressed any of the risks sufficiently, or there are areas that can be improved or added.

Your feedback is important as it helps shape the information we provide, it ensures we capture any risks and weaknesses you believe we have in the information we publish and makes sure you can comment on the actions we propose to carry out to address any issues.

Any feedback we receive now will be incorporated into our 2019/20 company monitoring framework publication in October 2019.

If you have any feedback on this document or other publications please contact us:

Email: yourwateryoursay@southeastwater.co.uk

Photo:

James – Customer Care Team

Our Customer Care Team is there to help all our customers ensure they can access the right services for their needs

What happens next?

Our company monitoring framework for 2019/20 will be published in October 2019.

Our Performance, People and Planet report and our Annual Report and Financial Statements Annual Performance Report will be published by 15 July 2019.

Strengths, risks and weaknesses statement

We list the main strengths, risks and weaknesses we have identified as part of our assessment and the feedback from our stakeholders.

Main strengths

- our draft WRMP was categorised by Ofwat as Exceeds Expectations in its 2018 company monitoring framework assessment
- we continue to review and improve our annual reporting to ensure that our publications are informative and relevant to our customers and stakeholders
- we have a well established risk reporting tool which has strong foundations and is used for the assessment, recording and management of risks. This process and tool are used across the business and all managers and directors are engaged with the process. This helps us to ensure we manage all business risks and provide robust information to our customers and stakeholders
- Blueprint for Water, part of the Wildlife and Countryside Link nature coalition published a scorecard analysing water company business plans against protecting and improving the environment. South East Water's plan was highlighted as showing particular ambition in the water sector and was awarded a blue star in recognition of our flagship project to engage with other water abstractors within our catchments
- we were the first water company in the UK in 2018 to successfully gain the BS 18477: Inclusive service provision accreditation supporting customers whose circumstances make them vulnerable

Main risks and weaknesses

The risks and weaknesses shown here are those that score high in the risk assessment shown on page 35 (the red category).

Risk assessments updated in September 2018

Risk	How has the risk been identified	Area of risk	Risk
Interruptions to supply	Internal assessment	Performance	Risk – Extreme weather Our current forecasted performance at year end shows we are unlikely to meet our interruptions performance commitment and will therefore incur a penalty this year. Following any incidents we carry out a thorough lessons learnt review, any actions from these reviews are then embedded into general operational policies.
Customer satisfaction	Internal assessment	Performance	Risk – Current performance lower than target We are currently forecasting that some of our customer satisfaction outcomes will end the year lower than target. Due to the innovative nature of these measures, it is difficult to predict exactly the impact our actions will have on our performance.
Breaches of statutory obligations	Prohibition notice from the DWI	Performance	Risk – Supply of unwholesome water Following a 2017 water quality event relating to discolouration of supplies, and a subsequent site audit by the Drinking Water Inspectorate (DWI), we received a prohibition notice for some activity at Barcombe Water Treatment Works. We have worked closely with the DWI to resolve this issue.
Discolouration contacts	Internal assessment	Performance	Risk – Current performance higher than target We have continued to maintain our year on year improvements in our levels of discolouration contacts. Unfortunately we have missed our target by a small amount this year and will therefore incur a small penalty. We are forecasting to achieve our target in future years.
Company Monitoring Framework	Ofwat assessment	Performance	Targeted Ofwat has identified minor concerns in four areas of the company monitoring framework and has assessed South East Water as targeted. As we have been self-assured the previous two years this is a new category in the main risks and weaknesses section. Further details of Ofwat's minor concerns can be found on page 10 and 11.

We have set out the assurance outcome actions we believe are necessary to address these issues in our **final assurance plan** on page 16.

Final assurance plan

Risk	Controls and mitigating actions	Deadline
Risk of interruptions to supply performance failure (Interruptions to supply outcome)	<p>Our focus is to minimise all interruptions to supply. We have undertaken training with employees and contractors to encourage methods of repair which do not require interruptions to supply.</p> <p>We undertake a wide range of activities to minimise any interruption to supply for our customers and have extended this as a result of post incident reviews.</p> <p>Customer engagement and detailed lessons learned exercise undertaken following the March 2018 event to ensure that we identified all areas of improvement, 61 actions were identified.</p> <p>A detailed action plan was published in September 2018, see page 20 for full breakdown.</p>	Ongoing
Extreme weather impact on interruptions to supply (Interruptions to supply outcome)	<p>A sudden change in weather can have a significant impact on our pipes which can cause an interruption to our supply for customers. When the weather gets colder there is a risk of freezing pipes or when the weather gets warmer the ground gets drier and this movement can cause our pipes to crack.</p> <p>Such weather changes are beyond our control and therefore they remain a 'high' risk in our framework. We do, however, have comprehensive emergency plans to minimise the impact on customers if these events do occur and continue to invest in our network to maintain and improve our asset resilience. Our actions also include resource management to maximise the amount of water available in anticipation of high demand, and we implement a range of pre-winter readiness checks and plans.</p> <p>We are enacting the action plan which we created following the March 2018 event to ensure that we identify where we can make improvements in our processes. A detailed action plan was published in September 2018, see page 20 for a full breakdown.</p>	Ongoing – part of normal operations and planning for such events
		Ongoing

Risk	Controls and mitigating actions	Deadline
Breaches of statutory obligations	<p>Barcombe treatment works abstracts water from the River Ouse and forms an essential part of the company's water supplies within the Sussex area. The company had identified the resilience challenges associated with this treatment works and has a comprehensive plan in place to improve both the performance and resilience of Barcombe treatment works, through a programme of capital maintenance, enhanced monitoring and process optimisation. This plan has been in progress since late 2017 and will continue to deliver improvements into the next business plan period.</p>	
	Capital maintenance investment in site.	March 2020
	Optimisation of water treatment works existing processes.	Completed
	Enhanced operational monitoring of treatment works performance through externally accredited sampling and laboratory analysis.	Ongoing
	Dredging bankside storage reservoir.	Completed
	HazRev assessment of treatment works.	Completed
	Online manganese monitoring.	Completed
	Installation of ultra-sonics on storage reservoir for algae control.	Completed
	Investment to improve site resilience, including additional contact tank.	2020 to 2025 scheme
Current performance lower than target (Discolouration contacts)	<p>There has been a significant improvement in performance, with a reduction in the number of discolouration 'hotspots' that we report to the Drinking Water Inspectorate from 15 to four. The overall contact rate for 2018 was 0.59 contacts per 1,000 customers against a target of 0.58</p>	
	In the past four years we have undertaken a number of activities to reduce our discolouration contacts, some of which take time to realise the benefits. While we expect this work to reduce our contacts in the future we are committed to a number of additional actions as follows:	
	• targeted mains renewals and treatment process work	Ongoing
	• continue with increased mains flushing programme from 500 to more than 900 miles per year	Ongoing
	• introduction of specially designed valve keys and further training for our operations technicians to reduce the risk of a mains burst and minimise sudden pressure into the system which can increase discolouration	Ongoing

Final assurance plan continued

Risk	Controls and mitigating actions	Deadline
Current performance lower than target (Customer satisfaction outcomes)	<p>The introduction of customer satisfaction outcomes has revolutionised the way in which we approach customer engagement and the way we interact with our customers. These measures have achieved the objective of ensuring that we constantly review all of our customers journeys and how our teams work.</p> <p>We continue with our ongoing customer satisfaction project plan which is rigorously monitored via our satisfaction outcomes steering group. We are also challenged by our customer challenge group on a regular basis and advise them of the progress that is being made on our wide range of identified initiatives.</p> <p>Key initiatives we are working on are:</p> <ul style="list-style-type: none"> • overall satisfaction – continued promotion of vision and values to focus employees on improving performance ensures that the customer is at the heart of everything we do. We continue to focus on the quality of the services that we offer through our five-out-of-five strategy where our teams are empowered to deliver great customer service to all customers. These processes wrap together customer feedback through surveys, and root cause analysis to allow us to understand using proven quality management techniques to improve the experience of our customers when they deal with us. We continue to develop our robust training methods to ensure our teams are always equipped to deal with our customers whatever the circumstances • accessibility – we continue to ensure that all customers receive that five-out-of-five experience by providing accessible services. To support this we were the first water company in the UK in 2018 to successfully gain the BS 18477: Inclusive service provision accreditation supporting customers whose circumstances make them vulnerable • providing customers with choice – a key aspect of improvement has been our continued journey to provide customer choice, as part of our improvement programme we have; • launched a new website – which reflects our understanding of what customers want information about but we have also made it accessible in terms of devices with accessibility improvements such as language and visual choice capability 	Ongoing

Risk	Controls and mitigating actions	Deadline
Current performance lower than target (Customer satisfaction outcomes) - continued	<ul style="list-style-type: none"> • promotion of the ‘My Account’ capability – This intuitive web based tool allows customers to be able to review bills and information online and we continue to develop this tool to ensure customers are able to make changes to their accounts which were previously only available through telephone or written communication and our ambition is to ensure our customers can fulfil transactions simply and online whenever they want or need to. • webchat functionality – Allowing online customers to have live chats to our advisors when it is convenient for them without needing to call. • continuing to provide a local accessible contact centre when customers do want to chat. Based in Kent our teams understand the customers and the region and we always want to ensure our customers feel they can be listened to when they want to be. • “My Water Use Report” trial – we know that customers want us to help them to save water through advice and education. We’ve joined forces with behavioural science experts Advizzo to develop new innovative approaches that empower customers to better control the water they use and therefore the bill they pay. So far 22,000 customers have participated in this trial and receive personalised water saving tips. We plan to increase the numbers of customers who receive this information in the future 	Complete
Risk of minor concerns with our Company Monitoring Framework	We will be putting in place actions to address these outcomes and restore our performance to the previous self-assured status.	Ongoing October 2019

'Beast from the East' Incident Response

Following the incident in March 2018 described on page 8, we have developed a detailed action plan which was published in September 2018. The status of the actions were updated in March 2019 and relate to the risks shown on page 15.

Table of controls and actions to minimise the risks

Action	Ofwat Area	Goal	Action	Completed
1	Planning and Preparation	Ensure our production sites can run during extreme cold weather	Review and update asset standards for lagging and trace heating	Complete
2	Planning and Preparation	Ensure our production sites can run during extreme cold weather	Assess and test current asset lagging and trace heating	Complete
3	Planning and Preparation	Ensure our production sites can run during extreme cold weather	Identify and deliver additional investment required for sites with missing or incomplete lagging and trace heating	Complete
4	Planning and Preparation	Ensure our emergency plans are robust and able to handle regional events	Review the structure and number of personnel, including key suppliers assigned to standby for periods of adverse weather	Complete
5	Planning and Preparation	Ensure our emergency plans are robust and able to handle regional events	Implement a 'major event' simulation exercise for testing the emergency plan	Complete
6	Planning and Preparation	Ensure our emergency plans are robust and able to handle regional events	Develop and agree a memorandum of understanding with resilience forums, to clarify roles and responsibilities during an emergency	Complete
7	Planning and Preparation	Ensure customers are more embedded into our resilience approach	Develop an appropriate communication plan with the National Farmers Union (NFU) to encourage farmers to become more resilient both to avoid bursts (wrap up for winter) and to cope with extended supply interruptions	Complete
8	Planning and Preparation	Ensure customers are more embedded into our resilience approach	As an additional element of our catchment management programme, offer resilience reviews with farmers and livestock owners and help them develop business continuity plans	Ongoing
9	Planning and Preparation	Ensure customers are more embedded into our resilience approach	Define a clear policy that supports the repair of customer side leaks, especially during emergency events	Complete
10	Planning and Preparation	Ensure customers are more embedded into our resilience approach	Undertake appropriate critical infrastructure reviews with businesses to generate business continuity plans i.e. for large schools	Ongoing
11	Planning and Preparation	Ensure customers are more embedded into our resilience approach	Develop specific resilient customer initiatives as part of our business plan for specific types of customers and incidents	Ongoing – starting March 19
12	Planning and Preparation	Be transparent with our customers on reasons for freeze/thaw impact and future plans to address issues	Publish asset investigation reports for the three impacted areas, including proposed investment to mitigate/ resolve underlying issues	On track for publication end Mar-19
13	Planning and Preparation	Reduce the number of customers who are supplied by single source of supplies	Develop strategic resilience main schemes and submit as part of 2020 to 2025 business plan	Complete

Action	Ofwat Area	Goal	Action	Completed
14	Planning and Preparation	Reduce the number of customers who are supplied by single source of supplies	Review how to make Barcombe treatment works more able to undertake planned maintenance without causing additional supply risk - include in 2020 to 2025 business plan	Complete
15	Planning and Preparation	Our operational teams are better able to understand the impact on our resilience from planned activities and site outages	Develop a weekly operational risk report, to show headroom in each of our regions, including major contributing factors	Complete
16	Planning and Preparation	Our operational teams are better able to understand the impact on our resilience from planned activities and site outages	Develop an operational risk management tool, with links between likely demand, available supply and storage to identify remaining headroom	On track
17	Planning and Preparation	Be able to pinpoint bursts and leaks to be able to isolate and fix issues quickly	Include incident response tests into our SMART network trial and to include findings into forward rollout from 2020 – the rollout of SMART networks during 2020 to 2025 is included within our 2020 to 2025 business plan	On track
18	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	An alternative water review, feeding in lessons learned from Freeze/Thaw event	Complete
19	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Improve resilience at strategic infrastructure sites either with strategic storage or through provision of larger strategic tanks, and supply tankers	Complete
20	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Improve approach to vulnerable customer alternate water deliveries, through support of resilience forums and local community groups, increased local stock of 100 pallets of bottled water; and new logistical vehicle for moving bottled water	Complete
21	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Improve resilience of bottled water stations through more comprehensive training of alternative water standby roles, standard bottled water stations design, and standard set up of a station	Complete
22	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	We improve the service levels and traceability of deliveries from Water Direct, supplementing this service with our own bottled water stock and considering a permanent alternative water manager role	Target date - December 2018 Revised date - April 2019

Table of controls and actions to minimise the risks continued

Action	Ofwat Area	Goal	Action	Completed
23	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Develop the ability to supply livestock owners through the deployment of static tanks and allow farmers to collect and use bowsers, or fill them directly	Late – deployment – from April 2019
24	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Purchase enough suitable bowsers to handle an equivalent incident and install bowser filling points at all critical stores	Target date - December 2018 Revised date - deployment from April 2019
25	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Replace current static tanks with lighter and more easily deployable static tanks	Complete
26	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Extend our current process for the capture, inclusion and sharing of lessons learnt from incidents to include partners and stakeholders	Complete
27	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Embed preparation for seasonal issues as standard agenda items to key cross-business forums, and this approach should be embedded and detailed into the emergency plan as an aide-memoir	Complete
28	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Through the Water Resources South East WRSE forum - review the possibility of joint company gold teams for regional incidents	On-going
29	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Define a standard design for alternative water stations, size, manning, security, notices, traffic management, including lessons learned on location	Complete
30	Incident Response	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Update emergency plans, splitting out Security and Terrorism sections from general emergency – this will allow general access and training on the emergency plan	Complete
31	Complete	Ensure we can supply customers with an appropriate level of water during a freeze/thaw type event	Contribute to the assessment review being undertaken on mutual aid, alternative water, crisis communication and emergency response	Ongoing
32	Communication with Customers and Stakeholders	Appropriately target proactive and reactive communication with customers to ensure understanding	Contribute to the assessment review being undertaken on mutual aid, alternative water, crisis communication and emergency response	Complete

Action	Ofwat Area	Goal	Action	Completed
33	Communication with Customers and Stakeholders	Appropriately target proactive and reactive communication with customers to ensure understanding	Implement a customer care team standby rota to reduce response times in the case of incident management	Complete
34	Communication with Customers and Stakeholders	Appropriately target proactive and reactive communication with customers to ensure understanding	Expand our existing standby rota for the call centre to allow ramp up for times where the risk of incidents increases and more customer contacts are likely	Complete
35	Communication with Customers and Stakeholders	Appropriately target proactive and reactive communication with customers to ensure understanding	Capturing social media contact details in our billing system to help provide regular updates to customers Action update: customer 1:1 comms via social media not appropriate due to data risks. Stakeholder social media captured	Action closed Action closed
36	Communication with Customers and Stakeholders	Appropriately target proactive and reactive communication with customers to ensure understanding	Put in place more regular proactive communication (text/email updates) for customers registered for our In Your Area service and pro-active texting customers for live updates	Complete
37	Communication with Customers and Stakeholders	Engage more effectively with stakeholders on crisis communications	Hold a workshop with local resilience forum members to define all communication channels available and understand local challenges – develop a memorandum of understanding between South East Water and parish councils on how to communicate during incidents Action update: worked with Kent and Sussex resilience forums separately with completion of action in Mar-19	On track
38	Communication with Customers and Stakeholders	Engage more effectively with stakeholders on crisis communications	We have volunteered to host a two-day industry wide conference on customer engagement through communication campaigns and crisis communications Action update: revised timetable for conference to mid-2019	Target date - February 2019 Revised date - November 2019
39	Communication with Customers and Stakeholders	Ensuring we can respond to increases in social media contacts	Develop a social media forecasting approach and review governance for social media during an incident	Complete
40	Communication with Customers and Stakeholders	Provide customers and businesses with clear, timely targeted advice to equip them to become more resilient	As part of our Resilient Customer approach, develop an improved, stand-alone winter communication plan with improved messaging at the start of winter, and additional messaging when cold weather approaches	Complete
41	Communication with Customers and Stakeholders	Provide customers and businesses with clear, timely targeted advice to equip them to become more resilient	Update communications plan to include channels to communicate with retailers and businesses	Complete

Table of controls and actions to minimise the risks continued

Action	Ofwat Area	Goal	Action	Completed
42	Communication with Customers and Stakeholders	Provide customers and businesses with clear, timely targeted advice to equip them to become more resilient	Hold a workshop with employees that hold communication responsibilities to review current practices and future communication tactics to maximise the use of all communication channels	Complete
43	Communication with Customers and Stakeholders	Provide customers and businesses with clear, timely targeted advice to equip them to become more resilient	Provide customers with free winter kits - through save water/save money website. To include pipe lagging, outdoor tap guard, tap card to locate stop tap and winter advice leaflet	Complete
44	Communication with Customers and Stakeholders	Provide customers and businesses with clear, timely targeted advice to equip them to become more resilient	Develop a geographically based communications crisis plan that captures local challenges and approaches	Complete
45	Communication with Customers and Stakeholders	Provide customers and businesses with clear, timely targeted advice to equip them to become more resilient	Re-design our community trailer so it can be used as a customer help point, at bottled water stations	Complete
46	Communication with Customers and Stakeholders	Ensuring our employees can provide accurate and timely customer information	Improve alignment of internal and external messaging so that staff always have the latest information to provide to customers	Complete
47	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Develop new data mapping tools that will blend external data with our own to identify potential areas with high levels of vulnerability (i.e. pockets of elderly, disabled or unemployed customers) Action update: scope of solution increased to a fully integrated system. Pilot solution completed successfully and now building full solution	Target date - March 2019 Revised date - October 2019
48	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Complete training for our field based agents to recognise vulnerability and ensure customers specific needs are recorded	Complete
49	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Review the process for passing information in respect of vulnerability to our external suppliers to protect and provide relevant details of their circumstances. This will include passwords to prevent possible bogus callers and be compliant with GDPR	Ongoing
50	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Rollout Braille ID passes for external visits to blind customers, to identify genuine employees Action Update: 80% complete, remaining 20% by Apr-19	Target date - January 2019 Revised date - April 2019

Action	OfwatArea	Goal	Action	Completed
51	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	We will continue to promote our services for customers in vulnerable circumstances at events in our region, to increase the number of customers on our PSR	On track
52	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Continue to train customer facing teams to upskill on vulnerability, including dementia, autism, Samaritans, child protection	Ongoing
53	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Implement TextLocal - a two-way text service for deaf customers to contact us in an emergency 24/7 Action update: Improved solution proposed but with longer delivery date of Jun 19	Target date - December 2018 Revised date - June 2019
54	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Make our dedicated vulnerable customer phone number a free phone number for our PSR customers	April 2019 – On track
55	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Improve our website with specific links to encourage greater awareness and sign-up for our PSR	Complete
56	Vulnerable customers	Ensure we can support the majority of the vulnerable customers through our PSR during an incident	Work with local healthcare NHS trusts to include a leaflet to direct readers who need extra help to our customer care team - following a successful trial with Kent Community Healthcare NHS Trust	Complete
57	Vulnerable customers	Identifying and appropriately managing transient vulnerability during an incident	We have worked with other utilities to be consistent on PSR definitions, including a specific vulnerability code "Transient and Communication" to recognise and capture transient vulnerability	Complete
58	Vulnerable customers	Improve our engagement with stakeholders and partners to identify vulnerability and improve support during incidents	New strategy role to be created to improve our network and access to vulnerable support data	Complete
59	Vulnerable customers	Improve our engagement with stakeholders and partners to identify vulnerability and improve support during incidents	Pre-agreed provision of bottled water to parish councils so they can distribute to customers that have not self-selected onto our PSR	Complete
60	Compensation	Ensuring customers get a consistent and fair standard of service	Develop a repeatable assessment and payment approach for compensation for severe incidents	Complete
61	Compensation	Ensuring customers get a consistent and fair standard of service	Contribute to the consultation being undertaken by Ofwat on GSS standards	Complete



External assurance of our risk assessment

In order to ensure we have identified the main risks and issues against our publications and outcomes we enlisted our assurance provider, Jacobs to review our risk assessments and proposed mitigation actions.

Photo:

Thinking about the future

We engaged with stakeholders from around the south east to discuss the key issues that may impact our region in the future

In 2018/19, the scope of works undertaken by Jacobs was to carry out a review of our risk assessment register and the individual risk assessments by asking the following questions:

- is the risk categorisation for data and reporting appropriate?
- is the risk consistent with the outcome/publication?
- are any risks missing based on the Jacobs and annual review?

Findings from the external assurance Jacobs approach

"As part of updating its company monitoring framework document, South East Water asked us to carry out a high level, desk based review of the detailed risk assessment register that underpins the framework and associated document.



“

External assurance ensures we have identified the main risks and issues against our publications and outcomes

“Our review focused on the elements of the register that covered the company’s performance commitments but also included other elements of the company’s annual performance reporting and regulatory submissions (e.g.: its new connections charging scheme). We sought to identify whether the company had updated these elements of the register to reflect the reporting risks we identified during our assurance work. As with last year, our review therefore concentrated on the risks the company had categorised as data quality or reporting risks.

“We note that this year we also reviewed the company’s draft final freeze-thaw action plan and, as part of our PR19 assurance work, the process it followed to determine its 2020 to 2025 risk mitigation plan.”

Jacobs findings

“During our review of the detailed risk assessment register we identified scope to include a limited number of additional risks and to clarify the description of some others. The company has

reflected on our observations when finalising the latest version of its risk assessment register and risks were amended accordingly. Our review of the company’s final freeze-thaw action plan concluded it addressed: the observations Ofwat had made in its report and subsequent correspondence; and the commitments the company made in its initial response to Ofwat. And our review of the company’s 2020 to 2025 risk mitigation plan process identified only non-material suggestions for improvement which were implemented by the company.

“In addition to the assurance we completed on the company’s freeze-thaw action plan in October 2018, we have also reviewed the status of the individual actions as of March 2019. On the evidence provided we concluded the plan was substantially complete and that none of the outstanding or ongoing actions represent a material risk to the Company’s preparedness or resilience in the event of a major incident.”



Engagement of stakeholders and customers

As part of our PR19 business plan research we undertook a wide range of research with stakeholders and customers in relation to reporting and transparency.

The objectives of this research were to understand:

- what corporate/financial aspects to report on, and why those issues are important
- how we should report the information
- where should we report the information

Photo:

Engaging with our customers

We met with people across the south east as part of our ongoing two-way engagement

Companies need a high level of transparency and engagement with their customers to earn their trust and confidence. This extends to issues such as companies' corporate and financial structures so that customers can readily and clearly understand the nature and purpose of these arrangements and how they relate to the companies' business operations.

Some general themes emerged in this research with customers:

- wider levels of diminishing trust – in companies generally, the media, politicians, regulators
- where responsibility starts – businesses are responsible for providing a good product and reliable service to their customers. Failure to do this renders any talk of “doing the right thing” pointless, a fact which is amplified for utilities
- fairness was a big theme – and is the default position for responsibility



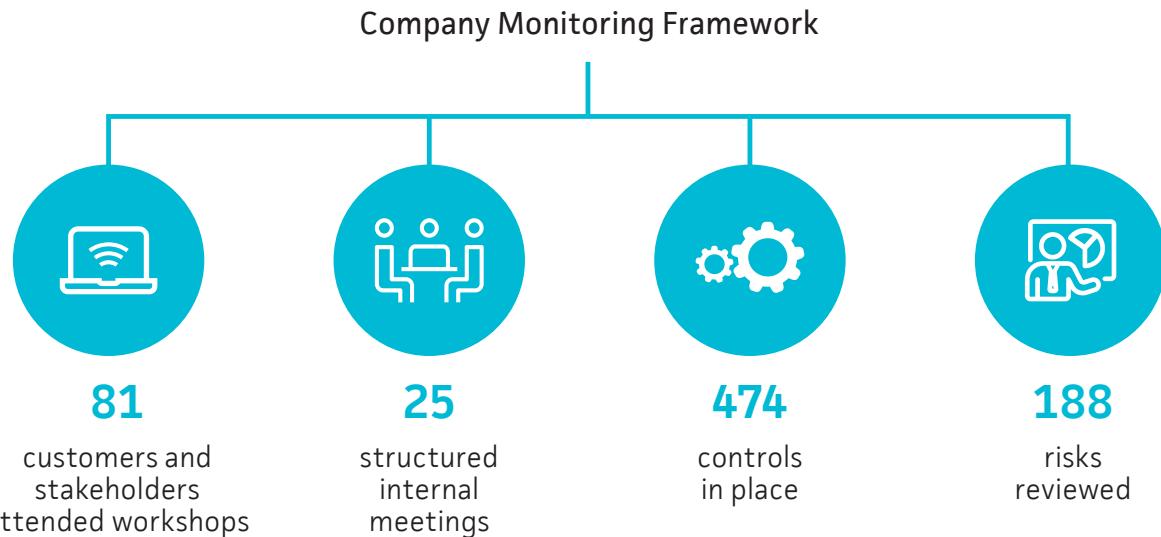
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Companies need a high level of transparency and engagement with their customers to earn their trust and confidence

- beware box ticking – being compliant or meeting the minimum required standard creates a lot of cynicism and drives disengagement
- authenticity is key – responsibility needs to come from the “heart” of the business, with an ethical and moral commitment at its centre rather than a legal obligation
- tangibility and context is important – responsible commitments that lack meaningful or understandable context are barriers to engagement and this can look deliberate and cynical
- scrutiny has real value – even more so if it’s from the right people e.g. the Consumer Council for Water and Customer Challenge Groups
- have big, clear and committed goals – engagement will be more effective

- utilities tend to get lumped in together – but South East Water not seen as a typical utility as it’s smaller and local
- social and environmental issues have most traction – and more credible when told in the context of a local, smaller company with a real commitment to the region, its staff and its customers

Engagement of stakeholders and customers continued



Understanding the opinions and requirements of our stakeholders and customers is vital to ensure that we are providing information that is relevant, understandable and easy to access and that we are achieving our vision to be the water company people want to be supplied by. We will use this feedback to update our future reporting and continue to engage with our stakeholders and customers on these topics.

We have set up an insight hub to capture all historic and ongoing engagement with customers and stakeholder. This will be constantly updated with research and feedback including Customer Challenge Group and Ofwat's assessments and water resources management plan consultation responses.

For further information about this customer and stakeholder engagement please see page 79 Appendix 1 Engagement of our business plan and Appendix 3 Responsible Business.

[corporate.southeastwater.co.uk/
businessplandocs](http://corporate.southeastwater.co.uk/businessplandocs)

Development of a business plan assurance framework

In September 2019 we published, and submitted to Ofwat, our five year business plan covering the period 2020 to 2025.

In its Delivering Water 2020: Our final methodology, Ofwat sets out its expectation for managing and mitigating risks to the delivery of the 2020 business plans' outcomes including a demonstration of a clear understanding of risk and evidence of the risk management measures.

As a result we have a dedicated appendix for our business plan (Appendix 15 Risk management and mitigation) which explains how we have built on our existing company monitoring framework to assess the risks around the plan implementation and achievement of its commitments. It sets out our approach to identifying and assessing these risks, and our plans for monitoring and mitigation of these risk throughout the period.

The responses to the draft water resources management plan (WRMP) have been addressed and the revised WRMP published in August 2018, which has been commended by Ofwat.

We will be addressing any concerns identified by Ofwat and completing required actions from its initial assessment of plans (IAP) in our response to the IAP that will be published on 1 April 2019. We will be including the lessons learnt in our 2019/20 company monitoring framework and assurance plan.

To ensure the same level of governance, assurance and scrutiny is carried out on our business plan as we have in our company monitoring framework, we developed a specific business plan assurance framework which assesses the risks around the plan implementation and achievement of its commitments. This is built using the strong foundations of our company monitoring framework and enhanced further to ensure it covers all of the requirements of our customers, stakeholders and regulators that are relevant for our business plan. It shows how our board provides strong governance, assurance and approval of our plan, demonstrating how it has challenged the management team and what evidence it has used to decide that our plan is the best it can be.

In particular our business plan assurance framework was designed to ensure:

- the overall strategy to data assurance and governance processes delivers high quality data
- all data and information used in our plan is consistent, reliable and robust
- our plan is written in a transparent, clear and simple to understand way
- our plan shows how we will continue to meet our statutory obligations both now and in the future
- our plan shows clearly how we will deliver for our customers and the environment
- our plan demonstrates how the board's governance and assurance processes and strategic leadership provides operational, financial and corporate resilience over the five year period and longer term

All of these factors combined to ensure that we published a high quality business plan that our customers, stakeholders and regulators can rely on and shows how we will deliver the service they want both now and in the future.

To understand and manage them, we have reviewed risks associated with each of the new performance commitments and developed a company monitoring framework for the period 2020 to 2025. The initial PR19 risk assessment presented in our business plan appendix will form the basis of our risk management throughout the 2020 to 2025 planning period.

We were disappointed with Ofwat's assessment of the two additional categories included in the company monitoring framework in relation to the business plan, which are one-off assessments for 2018. We will learn from these minor concerns and use them to inform our ongoing publications, our response to Ofwat's initial assessment of plans (IAP), draft determination and our future business plans.

For further information please view appendix 15 of our business plan southeastwater.co.uk/appendix15

Section 2

The south east is one of nature's water stores, which means a fifth proportion of the rain that falls here goes towards keeping our taps flowing.

During both dry periods, demand for water increases rapidly to over **850 million litres a day** (that's over one billion jugs!)

Our supply area



Where water comes from

All our water initially falls as rain, but where does it come from?



Risk analysis

Risk assessment summaries	33
Risk assessment summary – before any new actions to address the issues	34
Risk assessment summary – after undertaking actions in our final assurance plan	36

Photo:

Reviewing challenges

Public consultation of our Water Resources Management Plan gave customers and stakeholders a say as we developed our plans to secure water supplies 60 years ahead



“

We are continually reviewing our publications and internal processes

Risk assessment summaries

Each year we will update our risk assessments to understand if any new risks should be included, if any are no longer relevant or if the impact has changed.

We are continually reviewing our publications and internal processes to identify if any other areas should be included in this framework.

Our post mitigation risk summary table identifies the risk levels that we are aiming for at the end of the regulatory period, in 2019/20.

The processes we undertake as part of our company monitoring framework are detailed in Section 3.

Our framework is built on three core pillars:

- robust data
- clear and reliable information and reporting
- monitoring and proactive management of performance

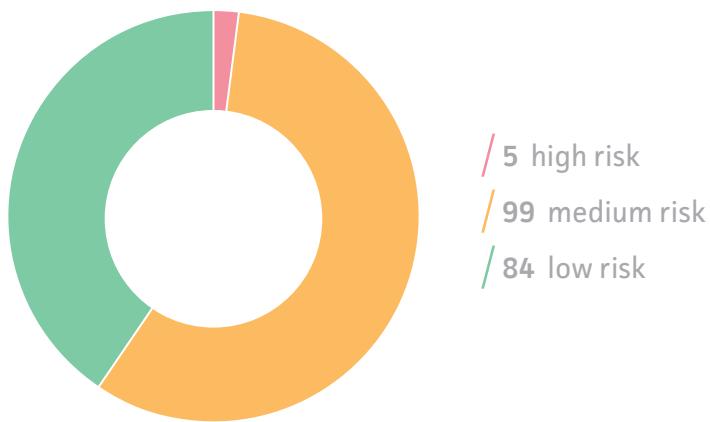
Risk assessment summary – before any new actions to address the issues

The summary table shows a risk assessment for each of our outcomes and each of our core publications.

We have assessed these not only against data and information but also against our current performance levels. The table shows the highest risk for each pillar – for example if a certain pillar has four risks, three of them could be ‘low’ (i.e. green) and one as ‘high’ (i.e. red). The table will show the risk rating for that pillar as ‘high’ (i.e. red).

Each risk shown as ‘high’ in the table is explained on page 15.

Total number of risks



The colour coding used in the risk assessment summaries is explained as follows

Assessment	Coding	Description	OUTCOMES	PUBLICATIONS
Risk rating	● (Red)	High – based on combination of consequence and probability – see page 42 to 43.	Interruptions	Our Annual Report and Financial Statements and Annual Performance Report
	● (Orange)	Medium – based on combination of consequence and probability – see page 42 to 43.	Customer satisfaction	Performance, People and Planet
	● (Green)	Low – based on combination of consequence and probability – see page 42 to 43. If there are risks that are not sufficient to meet the minimum criteria in our risk framework it will be shown as zero in the table.	Leakage	Consistency projects/shadow reporting
Control	● (Red)	No control – business aware of need but no formal process in place. Minimal – minimum processes in place within department. Little consistency between departments.	Service Incentive Mechanism	Code of practice review
	● (Orange)	Adequate – centrally controlled process in place across the entire business. Senior management consistently engaged.	Properties with low pressure	Standard information on bill
	● (Green)	Effective – routine use of metrics and quantitative methods to measure the performance and quality of the control.	Water resource deficit	CCWater quarterly report and annual return
			Breaches of environmental regulations	Drinking Water Inspectorate Reporting
			Water mains bursts	National Environment Programme
			Discolouration contacts	Developer Services
			Number of pollution incidents	Wholesale charges document
			Breaches of health and safety regulations	Wholesale tariff document
			Breaches of national security obligations	Household charges scheme
			Breaches of statutory obligations	New connections charges scheme
			Above ground asset performance	Investors report
			Sites at risk of flooding	Guidance on allocation and calculation of costs for self-lay water mains
			KG of carbon per customer per year	Water and Farming Partnership capital grants booklet
			Abstraction Incentive Mechanism	‘Beast from the East’ Incident Response
				South East Water Action Plan

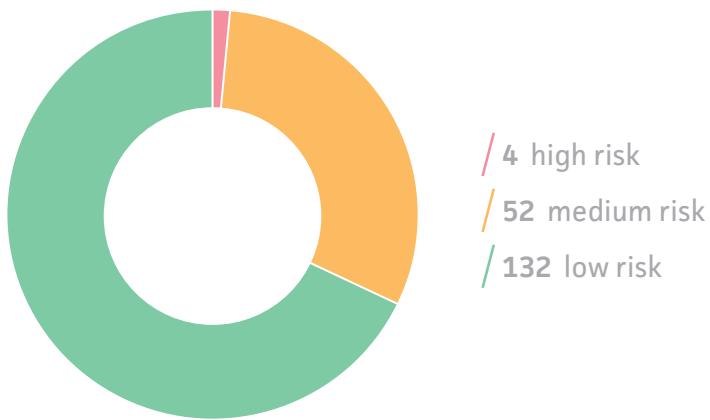
Risk assessment summary – before any new actions to address the issues

IMPACT TO CUSTOMER	CURRENT RISK									
	PILLAR 1 DATA			PILLAR 2 INFORMATION AND REPORTING			PILLAR 3 2018/19 PERFORMANCE			
	Rating	Risk Rating	Control	No of Risks	Risk Rating	Control	No of Risks	Risk Rating	Control	No of Risks
Moderate	●	●	●	4	●	●	1	●	●	2
Major	●	●	●	2	●	●	0	●	●	9
Major	●	●	●	6	●	●	0	●	●	4
Major	●	●	●	1	●	●	0	●	●	5
Moderate	●	●	●	1	●	●	0	●	●	1
Moderate	●	●	●	1	●	●	0	●	●	5
Major	●	●	●	1	●	●	0	●	●	6
Minor	●	●	●	1	●	●	1	●	●	3
Minor	●	●	●	1	●	●	0	●	●	2
Minor	●	●	●	2	●	●	0	●	●	4
Minor	●	●	●	1	●	●	1	●	●	1
Minor	●	●	●	2	●	●	0	●	●	1
Moderate	●	●	●	0	●	●	0	●	●	9
Moderate	●	●	●	0	●	●	0	●	●	4
Minor	●	●	●	1	●	●	0	●	●	4
Minor	●	●	●	0	●	●	0	●	●	2
Minor	●	●	●	1	●	●	1	●	●	6
Minor	●	●	●	0	●	●	0	●	●	1
Minor	●	●	●	8	●	●	10	●	●	1
Moderate	●	●	●	0	●	●	5	●	●	0
Minor	●	●	●	1	●	●	2	●	●	1
Moderate	●	●	●	0	●	●	2	●	●	2
Moderate	●	●	●	2	●	●	0	●	●	0
Minor	●	●	●	5	●	●	0	●	●	0
Minor	●	●	●	9	●	●	1	●	●	0
Minor	●	●	●	0	●	●	3	●	●	3
Minor	●	●	●	1	●	●	1	●	●	2
Moderate	●	●	●	2	●	●	0	●	●	1
Moderate	●	●	●	2	●	●	0	●	●	4
Moderate	●	●	●	2	●	●	0	●	●	6
Minor	●	●	●	0	●	●	0	●	●	1
Minor	●	●	●	0	●	●	0	●	●	6
Minor	●	●	●	1	●	●	1	●	●	2
Minor	●	●	●	1	●	●	0	●	●	0
Moderate	●	●	●	0	●	●	2	●	●	0

Risk assessment summary – after undertaking actions in our final assurance plan

The summary opposite shows the impact on each outcome and publication after we have undertaken actions to mitigate each risk. The actions detailed in our final assurance plan on pages 16-17, show how we aim to manage the items assessed as ‘high’. We also have a comprehensive mitigation plan covering all of our actions to reduce risk where we can – the impact of this can be seen by a reduction in the number of ‘amber’ items.

Total number of risks



The only remaining high (red) risks are for our interruptions, customer satisfaction, discolouration contacts and breaches of statutory obligations. These are summarised below.

Interruptions to supply – this outcome can be heavily influenced by extreme weather, and although when grading the risk of extreme weather it scores a low probability the impact is sufficiently high to warrant an overall ‘high’ grading shown above. We do have comprehensive emergency plans in place to deal with extreme circumstances however it is not possible to change the overall impact level. This risk therefore stays as ‘high’ and is regularly scrutinised to ensure we are doing all that is possible to minimise the likelihood or impact.

Customer satisfaction – we are continuing to strive to ensure that our customers receive a five-out-of-five service but we may not achieve our target performance level on all of the measures in this financial year. The main reasons for this and the actions being undertaken are shown in our final assurance plan. We are undertaking a number of initiatives which are showing steady improvements and we are likely to achieve our targets in future years.

Discolouration contacts – despite achieving a reduction in the number of discolouration contacts received compared to last year, we will not achieve our target this year. Further information about the initiatives that we are undertaking are listed on page 17.

Breaches of statutory obligations – during 2018/19 we have received a prohibition notice as outlined on page 15, therefore, this measure will remain red for the year.

OUTCOMES

Interruptions

Customer satisfaction

Leakage

Service Incentive Mechanism

Properties with low pressure

Water resource deficit

Mean zonal compliance

Breaches of environmental regulations

Water mains bursts

Discolouration contacts

Number of pollution incidents

Breaches of health and safety regulations

Breaches of national security obligations

Breaches of statutory obligations

Above ground asset performance

Sites at risk of flooding

KG of carbon per customer per year

Abstraction Incentive Mechanism

PUBLICATIONS

Our Annual Report and Financial Statements and Annual Performance Report

Performance, People and Planet

Consistency projects/shadow reporting

Code of practice review

Standard information on bill

CCWater quarterly report and annual return

Drinking Water Inspectorate Reporting

National Environment Programme

Developer Services

Wholesale charges document

Wholesale tariff document

Household charges scheme

New connections charges scheme

Investors report

Guidance on allocation and calculation of costs for self-lay water mains

Water and Farming Partnership capital grants booklet

‘Beast from the East’ Incident Response

South East Water Action Plan

Risk assessment summary – after undertaking actions in our final assurance plan

IMPACT TO CUSTOMER	TARGET RISK								
	PILLAR 1 DATA		PILLAR 2 INFORMATION AND REPORTING			PILLAR 3 2018/19 PERFORMANCE			
Rating	Risk Rating	Control	No of Risks	Risk Rating	Control	No of Risks	Risk Rating	Control	No of Risks
Moderate	●	●	4	●	●	1	●	●	2
Major	●	●	2	●	●	0	●	●	9
Major	●	●	6	●	●	0	●	●	4
Major	●	●	1	●	●	0	●	●	5
Moderate	●	●	1	●	●	0	●	●	1
Moderate	●	●	1	●	●	0	●	●	5
Major	●	●	1	●	●	0	●	●	6
Minor	●	●	1	●	●	1	●	●	3
Minor	●	●	1	●	●	0	●	●	2
Minor	●	●	2	●	●	0	●	●	4
Minor	●	●	1	●	●	1	●	●	1
Minor	●	●	2	●	●	0	●	●	1
Moderate	●	●	0	●	●	0	●	●	9
Moderate	●	●	0	●	●	0	●	●	4
Minor	●	●	1	●	●	0	●	●	4
Minor	●	●	0	●	●	0	●	●	2
Minor	●	●	1	●	●	1	●	●	6
Minor	●	●	0	●	●	0	●	●	1
Minor	●	●	8	●	●	10	●	●	1
Moderate	●	●	0	●	●	5	●	●	0
Minor	●	●	1	●	●	2	●	●	1
Moderate	●	●	0	●	●	2	●	●	2
Moderate	●	●	2	●	●	0	●	●	0
Minor	●	●	5	●	●	0	●	●	0
Minor	●	●	9	●	●	1	●	●	0
Minor	●	●	0	●	●	3	●	●	3
Minor	●	●	1	●	●	1	●	●	2
Moderate	●	●	2	●	●	0	●	●	1
Moderate	●	●	2	●	●	0	●	●	4
Moderate	●	●	2	●	●	0	●	●	6
Moderate	●	●	0	●	●	0	●	●	1
Minor	●	●	0	●	●	0	●	●	6
Minor	●	●	1	●	●	1	●	●	2
Minor	●	●	1	●	●	0	●	●	0
Minor	●	●	0	●	●	2	●	●	0

Section 3



Appendix – the process we follow to define our risks and assurance

Strengths, risks and weaknesses statement – the process	39	How we assess risks	42
The main process steps	40	How we undertake assurance	44
Our company monitoring framework	41	Published information we have included in this review	46
		The outcomes we are targeting	48
		Our risk assessment	48

Photo:

Thinking about the future

Our board and customers engaged with a futurologist to help us build our business plan



“

Our board is responsible for providing strategic leadership and good corporate governance within a framework of effective controls

Strengths, risks and weaknesses statement – the process

At South East Water our board is responsible for providing strategic leadership and good corporate governance within a framework of effective controls. This enables risks to be identified and managed including the risks and opportunities that relate to the information we publish and our overall levels of performance. The fulfilment of these responsibilities is essential to ensuring that we deliver the best level of service to our customers and promote both trust and confidence from customers and stakeholders alike.

A specific governance and assurance process was put in place for the development of this framework supported by an external audit of the risks we have identified. This is discussed further on page 44.

The key elements of our approach

We have identified a number of key elements to our approach, these are:

- using a sophisticated risk assessment to describe and manage any risks and issues that we have identified
- widening the scope covered by our approach to reflect stakeholders' views
- believing that performance is a key contributor to trust and confidence and have therefore included it as a core part of the assessment
- developing a clear action plan to mitigate identified risks
- having our approach and its findings externally assessed by our assurance partner
- developing the approach following clear strategic direction from our board
- we have published our final assurance plan at the same time as our strengths, risks and weaknesses statement to give our stakeholders a complete picture of how we will manage our risks
- in March 2019 we will publish our final assurance plans

The main process steps

STEP 1 page 41

Our company monitoring framework

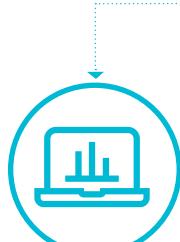
The structure that we have developed for our framework to ensure the information we produce is reliable, robust and well managed.



STEP 3 page 44

How we undertake assurance

Overview of the different methods and levels of assurance that we undertake. Description of our board governance approach.



STEP 5 page 48

Our risk assessment

Summary of the risk assessment process.



STEP 7 page 28

Engagement of stakeholders and customers

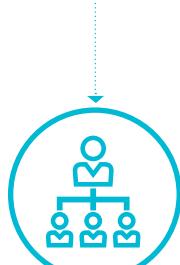
As part of our PR19 engagement programme we have undertaken a wide range of research with stakeholders and customers in relation to reporting and transparency.



STEP 9 page 15

Strengths, risks and weaknesses statement

A range of proposed actions to address the high risks identified in our strengths, risk and weaknesses statement and how this impacts our risk assessment summary.



STEP 2 page 42

How we assess risks

Description of the risk assessment approach we follow and how we manage and assess risks – including how we assess the likelihood and impact of risks and how we define controls and mitigation actions.



STEP 4 page 46

The published information we have included in this review

Outlining the core publications and outcomes we have reviewed as part of this framework.



STEP 6 page 26

External assurance

Description of and findings from the external assurance undertaken to ensure we have identified our risks correctly.



STEP 8 page 33

Risk assessment summary

Summary of our risk dashboard – before and after any mitigation actions are undertaken.



STEP 10 page 16

Final assurance plan

A range of proposed actions to address the high risks identified in our strengths, risk and weaknesses statement and how this impacts our risk assessment summary.



Our company monitoring framework

The diagram opposite shows how our overall framework is structured to ensure that the information we provide about our performance is robust, reliable and complete.

Our framework is built on three core pillars:

- robust data
- clear and reliable information and reporting
- monitoring and proactive management of performance

Key to this framework is the assurance we undertake at each stage of the process and how we engage with stakeholders to ensure the information we provide is useful and relevant for their needs.

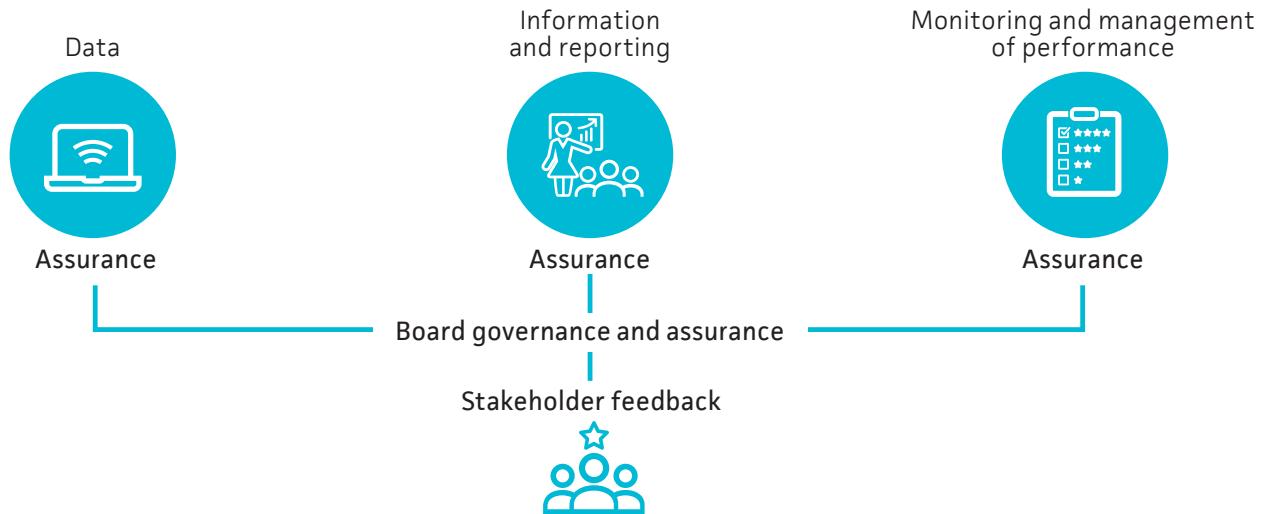
Pillar 1 – Data

The first pillar represents the data that we hold in our systems. Data can be entered into our systems in a number of ways – through manual input by our teams in the office or field through to data that is automatically uploaded via real time monitoring at our operational sites.

During our review of risks we have considered the source of the data and whether there are any potential risks associated with the accuracy of the data we collect. We have a wide range of controls in place to ensure the integrity of the data we use including system rules to ensure correct formatting of data through to manager approvals and independent reviews.

How our overall framework is structured

Overall company performance



Pillar 2 – Information and reporting

Once data has been collated it can form part of the information we use to manage our performance for reports or information in our core publications. It is vital to ensure that all data is correctly processed and formatted to ensure it can be relied upon by us and our customers and stakeholders. Our information and reports go through many levels of checks before they are included in our core publications which include peer reviews, senior manager approval and review by our executive team or board as required.

Pillar 3 – Monitoring and management of performance

We have a very thorough range of methods to monitor and manage our performance which includes:

- monthly reporting through to our executive team and board
- specific reports and steering groups for all key areas – particularly for our new outcomes that we are targeting over the period 2015 to 2020
- a range of working and technical groups to drive forward specific initiatives and improvements
- regular dialogue and challenge from a range of stakeholders, including our customer challenge group
- regular review of risks to ensure these are properly managed and mitigated where possible

To ensure the data and information we publish is reliable, robust and complete we have reviewed each stage/pillar above for each of our main publications to identify if there are any risks or issues with the information we publish. This document explains this work in more detail.

How we assess risks

We have an established methodology for recording and managing risks, which is designed to embed risk reporting into day-to-day management activity and is reviewed regularly by our executive team and annually by the board.

The objective of the risk register is to identify and quantify risks in relation to each other to allow comparability between different risk types. The approach also allows the register to be continually managed on a monthly basis and for the assessment of risk to reflect the implementation of mitigation measures and of variations in risk factors.

We have used this risk methodology to assess our core publications as part of our company monitoring framework.

The risk model uses standardised risk descriptions and categorisation of controls, impacts and likelihood. Each risk is allocated a priority score based on the level of impact if the risk materialises, and the likelihood of risk occurring. The prioritisation of the risk within the register is a function of the controls and mitigation measures in place or planned. This gives visibility of the expected reduction in risk exposure from planned mitigation actions and is used for assessing the effectiveness of these actions. Overall it is an approach that allows the business to assess and manage risks at a strategic level for the board and at an operational level for the company.

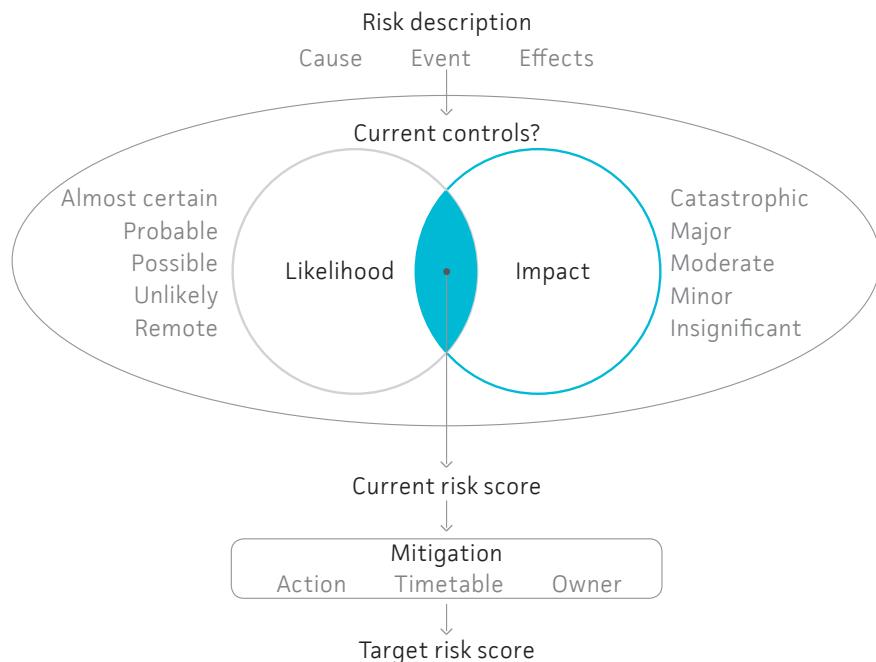
This assessment methodology is shown in the diagram opposite.

Key terms

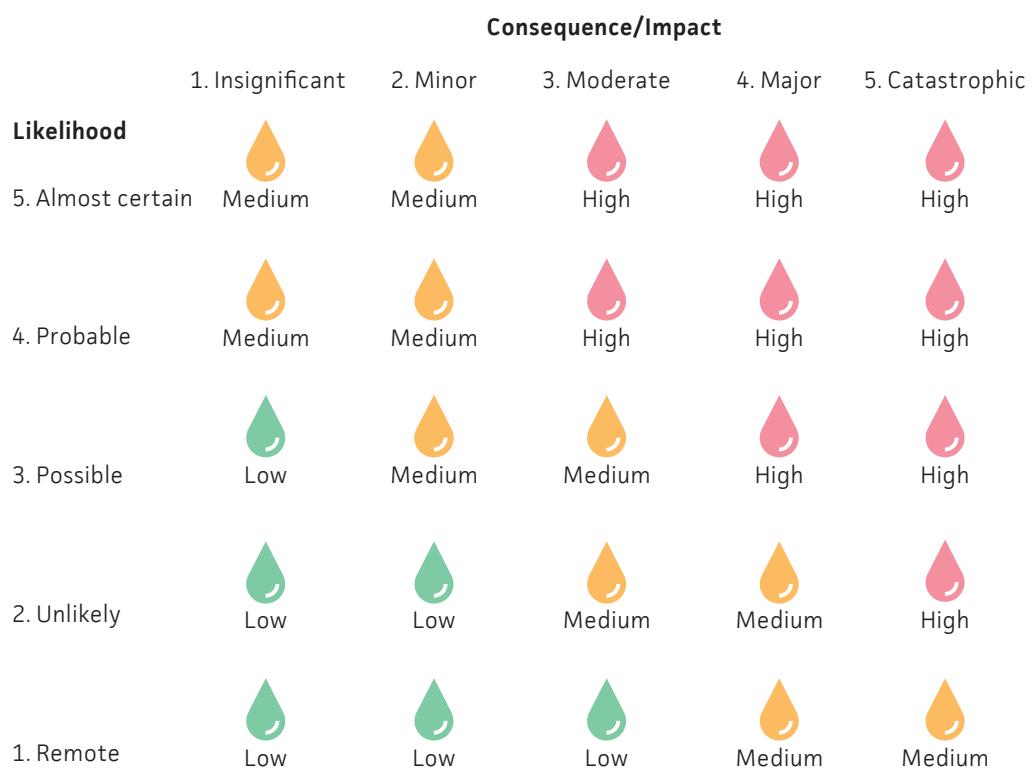
- **Risk description** – the tool ensures a consistent language regarding the description of risks is maintained. A risk must satisfy three criteria:
- **cause** – are definite events or set of circumstances that exist which will give rise to uncertainty
- **event** – an uncertain event is the true risk, as it may or may not happen and gives rise to uncertain outcomes
- **effects** – are unplanned variations that would arise as a result of the risk occurring
- **Current controls** – the controls that are already in place to deal with the identified risk
- **Likelihood** – the likelihood of the risk occurring must be assessed using set criteria
- **Impact** – risks are categorised and their impacts determined. There are 12 categories ranging from financial through to operational or reputational impacts. Each category has a defined level of impact ranging between insignificant and catastrophic. This allows for a consistent approach to be adopted across the whole of the business. Where appropriate a risk may have more than one category e.g. both financial and reputational
- **Current risk score** – this is the product of impact and likelihood. The most catastrophic risk is calculated with a score of 25, with the most insignificant scored at one
- **Mitigation** – actions we are undertaking to reduce or manage a risk. Once embedded these mitigation steps will form part of the current control assessment
- **Target risk score** – a target risk score can be calculated to show where the risk level will be once the controls and actions are put in place

The risk framework

Risk management model



How we score risks





How we undertake assurance

The level of assurance that we undertake is determined by the risk associated with the activity and the importance to stakeholders or customers. The higher the risk or importance identified the greater the level assurance that is required to ensure that stakeholders trust and feel confident in the publication that we provide.

We have developed this assurance framework by reviewing and incorporating Ofgem's guidance for data assurance where appropriate.

Our board governance

At South East Water our directors are responsible for providing strategic leadership and good corporate governance within a framework of effective controls, enabling risks to be identified and managed.

A mature and trusted risk governance and assurance process has been further enhanced to put in place this framework, it is multi-layered and we believe reflects best practice. This framework is discussed further on page 42.

Photo:

500,000 water quality tests each year

That's how we ensure your water meets the highest standards - and we apply this attention to detail across our business



“

Good corporate governance within a framework of effective controls, enabling risks to be identified and managed

Our assurance methodology



Level 1

- peer review – data and information is checked by a separate individual
- manager review/sign off – data and information is checked by the line manager responsible for the individual completing the submission

Level 2

- internal data and process audit – data is verified and checked through. The methodology document is reviewed to ensure that the process and internal controls are complete and being followed
- external data, process and submission audit – this process is undertaken by an external assurance partner. A review of methodology, data sampling and internal controls is undertaken. Meetings are held with data owners and senior managers to discuss how the data is compiled

Level 3

- director/executive approval – final review of submission information
- audit and risk committee review
- board approval – overall review of assurance and auditing undertaken. Discussion and approval of external assurance partner findings

The published information we have included in this review

When creating this company monitoring framework we decided that we should define the scope to reflect the main publications included on our website. These are the main publications we issue for customers and stakeholders to use that explain not only our performance but also our main policies and practices – we think it is important to include this wide range of publications and not purely focus on our Performance, People and Planet Report and Annual Report, Financial Statements and Annual Performance Report and Financial Reports as our customers and stakeholders have told us they rely on the full range of information we provide not just what might be regarded as the core regulatory publications.

We have not included our drought plan, water resources management plan or business plan into the scope of this document as they have their own assurance processes which have been developed in line with this company monitoring framework.

However, we will be feeding in the lessons learnt from the feedback responses to these publication into our company monitoring framework.



Stakeholders have told us they rely on the full range of information we provide not just what might be regarded as the core regulatory publications

Publications we have reviewed

Report/publication	Description
Performance, People and Planet	Published in July each year to inform stakeholders of how we have performed between 1 April and 31 March
Annual Report and Financial Statements and Annual Performance Report	Annual financial statements prepared according to accounting standards and annual regulatory information prepared according to guidelines issued by Ofwat
Codes of practices	Details of the levels of service you can expect from us
Environment Agency water resources annual return	Document that provides an update on progress on the water resources management plan (WRMP) and any changes that have been made to it
Consumer Council for Water – quarterly and annual reports	Information provided to the Consumer Council for Water on customer services, complaints, leakage, distribution input and per capita consumption

The published information we have included in this review continued

Report/publication	Description
Standard information on our billing literature	Standard information which is included with customer bills
Developer services reporting to Water UK	Information about our performance in developer services which is sent to Water UK on a monthly basis which is published on a quarterly basis
National Environment Programme reporting (NEP)	NEP is a statutory driven programme developed by the Environment Agency and Natural England. We provide updates on our progress on a regular basis. Internally, we have decided to provide quarterly updates to both the Environment Agency and Natural England and at the end of each year we have a formal sign off process with both of these regulators to confirm we are all in agreement that we have fulfilled our intended progress requirements. Each year we will provide an update on the programme to our wider stakeholders and customers via our Performance, People and Planet report
All annual and monthly submissions to the Drinking Water Inspectorate	We have a statutory requirement to provide information to the Drinking Water Inspectorate about the samples that are taken to test water quality
Wholesale charges document	Information about our current charges and policies
Wholesale tariff document	Information about our current charges and policies
Household charges scheme	Information about our current charges and policies
New connections charges scheme	Information about our current charges and policies
Investors Report	A quarterly report produced for our shareholders and other investors to provide an update on our performance
Water resources information tables	Information published for the purpose of supporting the development and operation of a market in the provision, management and development of water resources, demand management or leakage services
Guidance on allocation and calculation of costs for self-lay water mains*	More information on self-lay charges and the calculation of the asset payment
Water and Farming Partnership capital grants booklet*	Information relating to capital grants which may be available to help farmers and land managers
'Beast from the East' Incident Response South East Water Action Plan*	A summary of the incident which took place in February/March 2018 and our action plan

* These items are new to our company monitoring framework in 2018/19



The outcomes we are targeting for 2015 to 2020

We introduced a range of new measures and targets to track our performance for the five year period through to 2020 – we call these outcomes. An outcome is effectively our promise to customers, stakeholders and regulators – it sets out what we are trying to achieve, rather than just what we will do. These include some innovative new outcomes, relating to continuous assessments of our customers levels of satisfaction which will help us demonstrate how we keep our customers at the heart of everything we do. We have also included an assessment of our outcomes in this company monitoring framework.

Photo:

Planning ahead

We met with people across our region to talk about our water resource plans for the next sixty year

Each outcome has been separately assessed to identify any strengths, risks and weaknesses against each of the pillars of our framework (as described on page 41). You can read all about our outcomes and our latest performance against these in our Performance, People and Planet Report 2017/18.

Our risk assessment

To identify any risks with the information we provide in our main publications we have assessed the process we undertake to produce each publication using the framework described on page 42.

We held structured review meetings with a wide range of internal stakeholders to determine the risks associated with each outcome for the current year and for each of our main publications.



Each risk identified has been discussed to understand what controls are in place and what additional mitigation actions could be implemented to manage the risk. All of these aspects have been documented and uploaded into a specialist risk management software tool that we use to manage all of our main business risks.

This tool allows us to quantify risks in relation to each other to allow comparability and consistency of approach. Using the company's risk tool a number of risks can be linked to one outcome or publication to give an overall risk score.

We have produced two summaries of this exercise – one for the current risks that we are aware of and one that shows the impact of carrying out our proposed actions to reduce these risks where possible. These summaries can be found on pages 34-35 and 36-37.

“

**An outcome
is effectively
our promise
to customers,
stakeholders and
regulators**

The risks and controls have been summarised against each of the pillars in our framework:

- robust data
- accurate and balanced information and reporting
- monitoring and proactive management of performance

In assessing the impact of the risk materialising and the effect of it we have also considered two key factors:

- impact to customers – the likely impact on our service to customers and the effect on the outcomes we have committed to deliver
- stakeholder feedback from our engagement – to understand what outcomes or publications are most important to them

Have your say...

We welcome all feedback on this document and our other publications. You can contact us in the following ways:



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