

south east water

Board Assurance Statement

For Charges Schemes 2024/25

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Board Assurance Statement

This statement relates primarily to the household charges scheme 2024/25 of South East Water. It also relates to our miscellaneous services charges scheme 2024/25.

As Directors of South East Water we recognise that it is our responsibility to provide strategic leadership, and to promote good corporate governance within a framework of effective controls, enabling compliance with our obligations and the management of risks.

It is a core part of our governance that all customers are at the heart of our decision making and that we provide help to any of our household customers who are experiencing financial difficulty. We do this through a range of support schemes managed by our specialist Customer Care Team, and by giving household customers advice on the tariff that is most suited to their circumstances. This includes the Watersure tariff and our Social Tariff which was introduced in 2015.

We have calculated the changes in bills between 2023/24 and 2024/25 over a wide range of bill types to carry out detailed impact assessments.

Our regulated charges for 2024/25 are indexed to the November 2023 customer price index (CPIH) which measures inflation. Our charges for 2024/25 also incorporate the outcome of Ofwat's final determination of 14 November 2023 relating to in-period ODI for 2022/23.

This will result in increases below 5% with the weighted average household bill increasing by 2.2%.

When bill increases for our customers are expected to exceed 5%, Ofwat charges scheme rules state that we must develop handling strategies to help mitigate the impact of these increases. We are therefore not required to implement handling strategies in respect of our charges for 2024/25 but we continue to provide financial support to customers who need it the most as set out in our household charges scheme.

In this statement, we describe the systems of internal control we operate to ensure that we comply with our statutory, regulatory and licence obligations relating to our charges and our charges schemes.

In setting our charges we ensure that they comply with the price controls determined by Ofwat and the charges scheme rules they issued, that our charges are defined

following consistent principles and methodologies, and that no undue preference is shown to, and that there is no undue discrimination against, any class of customers or potential customers.

We have relied on comprehensive and transparent controls and assurance mechanisms which set out clear accountability for setting our charges. The data and assumptions used, our water supply charging models and our control processes themselves have been thoroughly reviewed by Frontier Economics our assurance partner.

This enables us to have a high degree of confidence in the information presented in this statement and supporting data on which the declarations of compliance set out at the end of this statement are based.

This statement should be read in conjunction with our statement of significant changes made pursuant to the charges scheme rules.

Our internal controls and Board oversight

Board oversight

We have established a strong governance and management framework ensuring statutory requirements are met and that the data we publish is robust and of a high quality.

A specific governance and assurance process was put in place by the Board for the preparation of our charges, supplementing the well-established systems of internal control already in place followed for all regulatory submissions and customer focused publications.

This process incorporated oversight by the Board, review and approval by Senior Management and the Executive Directors.

The Board, in September 2023, considered the overall approach for setting charges for 2024/25 compared to the process adopted for 2023/24.

On 29 November 2023 the Board approved the final wholesale and end-user household charges for 2024/25 subject to finalisation using the relevant CPIH and the outcome of external engagement and assurance to be undertaken. In doing so the Board had regard in particular to the charges scheme rules. It also prescribed that charges and relevant documents should take due account of the consultation with the Consumer Council for Water.

The Board also considered extensive bill scenarios for a large number of customer groups, encompassing different types of charges (e.g. measured, unmeasured and assessed) and consumption which confirmed no increase in excess of 5%.

The Chair of the audit and risk committee and the Executive Directors were jointly authorised to finalise the charges and the Board assurance statements subject to strict conditions relating in particular to engagement with CCW, and external assurance.

Further external assurance by Frontier Economics was also carried out on the final charges based on the full year CPIH that was published in December 2023.

Internal control processes

The development of our charges for 2024/25 in respect of household water supply charges builds on the approach undertaken in previous years which included involvement in the UKWIR project into charging principles and adoption of best practice principles recommended in this research to develop our charging model, improving quality control, readability and auditability.

The key components of the charging model, namely properties and consumption, have specific owners within South East Water who are responsible for ensuring the data and any forecasts are robust and reliable.

These key components are rigorously reviewed through a series of reviews with final approval by Senior Management reporting to an Executive Director.

Our external assurance

The Board focused on the process followed to prepare and review data, the clarity of the charges schemes for customers, and obtained additional information and analysis from the Executive Directors.

In addition to the internal control processes described above, the Board has also obtained certain assurance from Frontier Economics covering inputs and outputs of the tariff model for household end-user charges as outlined below.

Specifically, Frontier Economics were asked to review the tariff model calculations and functionality, and to assess compliance against the determinations and charging rules. They produced a detailed assurance statement, which concluded:

“Frontier Economics has reviewed the calculations in the 2024/25 final tariff model. The review did not identify any issues with the calculations or modelling, and the approach adopted by South East Water in the model remains transparent and reasonable. South East Water has produced wholesale and retail charges that enables tariffs to be calculated that are compliant with the relevant wholesale and retail revenue target for the year.

South East Water has undertaken a robust and comprehensive assessment of customer bill impacts, in line with Ofwat guidance. No customer group faces a

nominal bill increase of more than 5%. In addition, our review of the underlying source files for the volume multipliers has not identified any issues and the charges documents to be published have been correctly updated with the charges for 2024/25.

The review of the tariffs across customer types does not identify any specific concerns in relation to the principle of no undue preference or discrimination.”

Our external engagement

Charges Schemes

In developing our household charges schemes and information about our household charges for 2024/25 we have engaged with the Consumer Council for Water (CCW) to ensure that they could fully comment on our charges and household charges scheme.

We consulted CCW in the process of drafting our charging proposals and provided our draft household end-user charges as well as our draft household charges scheme for 2024/25 to CCW for comments.

CCW wrote to the Company in early January 2024 confirming the outcome of our engagement which did not raise any outstanding issue.

Bill impact assessment

We have assessed the impact of household charges increases on end-user customers. For this assessment we reviewed a large number of customer groups, encompassing different types of charges (e.g. measured, unmeasured and assessed) and consumption to understand their impact of different groups of end-user customers.

We have shared this analysis with the Consumer Council for Water. Details on these scenarios are also included in the appendices to the household charges scheme 2024/25.

Board Statement

For the preparation of this statement we have considered compliance with our statutory, regulatory and licence obligations relating particularly to setting charges and charges schemes.

Our governance and oversight processes, our review of our charges, of our statement of significant changes and charges schemes have not identified any material deviation from or non-compliance with these obligations and to the best of the Board’s knowledge after reasonable enquiries the company has complied in all

material respects with these obligations and the company is taking appropriate steps to ensure compliance and manage and/or mitigate the relevant risks.

Based on the scope and outcome of the process review detailed in this statement and the engagement with the Customer Council for Water, the Board is able to confirm that:

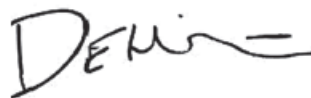
- a. The company complies with its legal obligations relating to the charges set out in its charges schemes;
- b. The Board has assessed the effects of the new charges on customers’ bills for a range of different customer bill types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;
- c. The company has appropriate systems and processes in place to make sure that the information contained in the charges schemes and the additional information covered by the annex of the charging scheme rules is accurate; and
- d. The company has consulted with the Consumer Council for Water in a timely and effective manner on its charges schemes.

Signed on behalf of the Board by:



Lisa Clement

Chair of the Audit and Risk
Committee



David Hinton

Chief Executive Officer



Andrew Farmer

Chief Financial Officer

Contact Us

South East Water
Rocfort Road
Snodland
Kent
ME6 5AH

southeastwater.co.uk

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