



# **The Company Monitoring Framework - Statement of Risks, Strengths and Weaknesses**

**Consultation Document  
30 November 2020**

# **The Company Monitoring Framework - Consultation on Portsmouth Water's Statement of Risks, Strengths and Weaknesses**

## **About this document**

### **Background**

Our shared industry vision for the water sector is one where customers, stakeholders and wider society have trust and confidence in vital water services. As a water company we are committed to being accountable to customers and stakeholders for delivering high quality services. We report information about our performance in a number of different ways including our Statutory Accounts and the Ofwat Annual Performance Report.

We recognise that having information that is easy to understand and accurate helps everyone have trust and confidence in our performance. Our Board takes overall responsibility for the quality and transparency of the information that we provide on our performance. The Company continues to review what information our customers and other stakeholders want and need on an ongoing basis. We do this through direct consultation and by considering other feedback such as feedback from our regulators.

The performance information that we publish is based on a range of different data; both operational and financial. We undertake checks on this data to make sure that it is appropriately accurate. Some of this checking is performed by the company and some is performed by external parties. We call this "data assurance".

It is important that we take a proportionate approach to how much assurance we need over the data and we want to be transparent about our plans for data assurance. Our approach to data assurance is summarised in section 2 of this consultation.

When we assess how much data assurance we are likely to need we assess the risk that the data we report contains errors or is materially misstated. To do this we look at the different types of data that we report and consider the risks, strengths and weaknesses associated with providing that information.

## About this document

### Purpose

The purpose of this consultation is to invite views on a statement we have prepared on the risks, strengths and weaknesses associated with providing information to our customers and other stakeholders.

This will form the basis of an Assurance Plan we will prepare (and consult further on) ahead of the publication of our 2020/21 Annual Performance Report in the summer of 2021.

Further, although our industry regulator Ofwat has indicated that they will no longer require companies to undertake this exercise, we believe engagement with stakeholders remains important and we propose to continue this process.

The latest feedback we had from Ofwat on the quality of our reporting was in January 2019 when it published its assessment of our reporting in 2017/18 and associated observations based on our Business Plan submission in September 2018. This classified the Company as remaining in the targeted assurance category. This was the middle of three categories ranging from self-certification of the quality of the data we publish to full scrutiny by an independent third party. The Ofwat assessment concluded that we had met their expectation in 10 of 12 categories, with minor concerns on two categories.

Detail of their assessment can be located at the following link.

<https://www.ofwat.gov.uk/publication/company-monitoring-framework-2018-assessment-individual-company-report-portsmouth-water/>

Thank you for making the time to review and respond to this consultation. It will help the Company ensure that we provide information to all stakeholders which is customer-led, transparent and timely.



**Michael Coffin**  
Independent Non-Executive Director and Chair of Audit Committee



**Helen Orton**  
Finance & Regulation Director

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### Who we are

We have been supplying water to Portsmouth and the surrounding area since 1857. The area supplied by the Company extends through South East Hampshire and West Sussex from the River Meon in the west to the River Arun in the east, encompassing 868 sq. km.

### Our vision

Delivering excellence for our people, customers the environment and communities we serve.

### Our values

Our values underpin how we behave in delivering all aspects of our work. These are Excellence, Respect & Integrity.

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## **Responding to this consultation**

We welcome your response to this consultation by close of business on **15 January 2021**.

You can email your responses to [s.morley@portsmouthwater.co.uk](mailto:s.morley@portsmouthwater.co.uk) or post them to:

Monitoring Plan Consultation  
Portsmouth Water  
PO Box 8  
Havant  
Hampshire  
PO9 1LG

Information provided in response to this consultation, including personal information may be published or disclosed in accordance with access to information legislation – primarily the Data Protection Act 2018 and the Environmental Information Regulations 2004.

If you would like the information you provide to be treated as confidential, please explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that we can maintain confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on us.

## **Overview and consultation questions**

### **Overview**

In this document we set out the background to this consultation and explain the importance of providing information which is of appropriate quality and transparent for the needs of our customers and other stakeholders.

We also explain;

- how we have approached the assessment of “risk, strengths and weaknesses” of data reporting,
- the outcomes of the work we have performed; and
- our next steps.

### **Consultation questions**

We welcome your views on the following consultation questions by close of business on **15 January 2021**.

**Q1 Do you have any comments on our overall approach to this Risk Assessment?**

**Q2 Do you agree with our assessment of the “Risks, Strengths and Weaknesses” summarised in this Statement?**

**Q3 Which particular performance measure is of greatest importance to you?**

**Q4 Is there any data not included in this assessment which you do rely upon and would like us to consider including in our reporting?**

## 1. Background

1.1. This consultation is part of the process by which Portsmouth Water will determine how it will continue to ensure that the non-financial information we provide to stakeholders is relevant, reliable, complete, accurate, understandable, objective and timely. It is the latest in a suite of documents we have published on the company monitoring framework. It is the annual review of our risks, strengths and weaknesses in our data assurance processes.

1.2. Since July 2016 we have published information on the Company performance annually in the “Annual Performance Report” (APR) Previous reports have provided detail of our performance during the AMP6 period (2015-2020).

1.3. We have now entered a new reporting period, referred to as AMP7, covering the five years from 1 April 2020 to 31 March 2025. The Company received its Final Determination from Ofwat in December 2019. Within the Determination were a number of performance targets, referred to as ODIs. The Annual Performance Report therefore enables stakeholders to assess how we have performed against those measures of success that are regarded by our customers as being the most important factors (the “Performance Measures”). The targets for the Performance Measures were agreed with customers as part of an extensive customer engagement exercise carried out when we were preparing our business plans for the 2020-2025 period.

1.4. The Company and Board recognise the importance of providing information to customers and other stakeholders that is; customer-led, relevant, reliable, complete, accurate, understandable, objective and timely. Our ongoing objective is to make information available that is easy to understand and navigate and which enables stakeholders to see how we are performing; this helps build trust and confidence in the business.

1.5. Ofwat have acknowledged that Companies and their Boards are best placed to identify the risks, strengths and weaknesses associated with providing such information.

1.6. In preparing this report we have engaged with our Customer Challenge Group (CCG).

1.7. We will continue our ongoing reporting to other regulators;

- The Consumer Council for Water
- The Drinking Water Inspectorate
- The Environment Agency

1.8. The information that we publish on our performance will therefore be assured to maintain and build a high level of trust and confidence from our customers and other stakeholders. We will adopt a risk based approach to assurance, and use internal and external reviews to provide robust challenge and scrutiny of our performance.

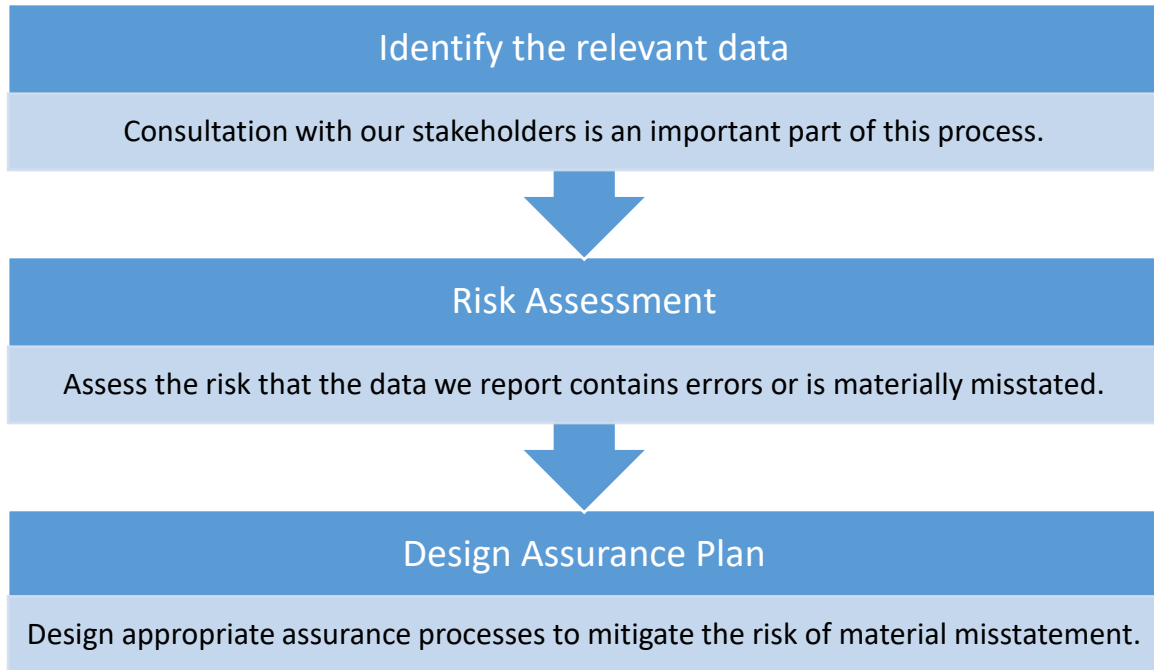
1.9. In November 2016 a website was launched called “Discover Water.” This allows stakeholders to compare company performance against a large number of levels of service. We place our performance data on this website in July each year.

## 2. Our Approach to Risk Assessment

### Introduction

2.1. As we have noted our objective is to ensure that we report Performance Measures (data) that are relevant, reliable, complete, accurate, understandable, objective and timely.

The steps involved in the process are set out in the diagram below.



2.2. We have performed a risk assessment for each of the Performance Measures (and the data used to calculate them) using methodology set out by the electricity and gas regulator Ofgem and recommended by Ofwat as best practice. This is consistent with our approach last year.

2.3. Following this risk assessment we will design an appropriate data assurance plan (the “Annual Assurance Plan”). This will set out Company plans for assurance of our Performance Measures and the underlying data that drives them.

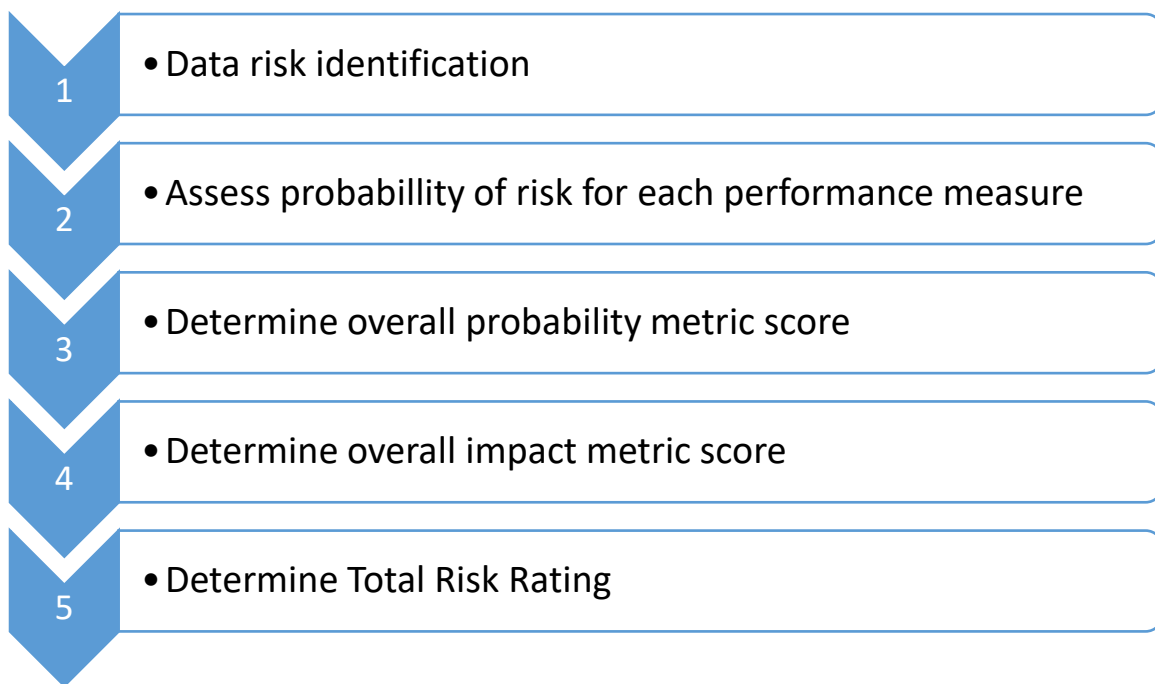
2.4. As part of this risk based approach, we have carried out an internal assessment of our risks, strengths and weaknesses in reporting of the Performance Measures. We have initial feedback from our CCG when discussing our 2020/21 H1 performance in November, and are now engaging further with our key stakeholders.

## The Total Risk Rating

2.5. When reporting data it is necessary to consider both the **impact** and **probability** of errors arising. The risk of errors in reporting is assessed by looking at the combination of both of these factors. This drives a Total Risk Rating score.

2.6. The overall Total Risk Rating for each Performance Measure is therefore derived by combining the Impact Score and the Probability Score which is presented in a Risk Matrix (see page 10).

2.7. Our five-stage process in assessing the overall Risk for each Performance Measure is as follows:-



The Impact Score and Probability Score are determined as follows;

2.8. To establish the Impact Score we look at 4 measures and score each between 1 and 4 where 1 is low impact and 4 is high impact. More detail on this can be found in Appendix 2.

2.9. To establish the Probability Score we look at factors that increase the risk of errors or misstatement in the data and offset against these factors that would increase the quality of data reported (i.e. factors that would decrease risk of misstatement). More detail is shown in Appendix 2.

Each of these categories are assigned a score as given in the table in Appendix 2. The Probability Score is the average of the two offsetting elements and is calculated using a formula.

2.10. Combining these Impact and Probability Scores in a Risk Matrix (below) results in an overall Total Risk Rating: low; medium; high; and critical. The Total Risk Rating is used to inform our choice of data assurance activities to be applied to our Performance Measures and reporting in the Annual Performance Report. It is our responsibility to demonstrate to Ofwat, our customers and other stakeholders the robustness and suitability of our Annual Assurance Plan and the strength of our control environment.

**Total Risk Rating - Impact and Probability Risk Matrix**

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
<b>4</b>	Medium	High	Critical	Critical
<b>3</b>	Medium	Medium	High	Critical
<b>2</b>	Low	Medium	Medium	High
<b>1</b>	Low	Low	Low	Low
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	<b>Probability Score</b>			

### 3. THE OUTCOME OF OUR RISK ASSESSMENT

#### Scale of the risk assessment

3.1 For this assessment we have focused on PR19 ODIs, data identified by our CCG and specific data requested by Ofwat over recent years. The table below shows the scale of the risk assessment undertaken for this exercise.

Number of PR19 ODIs – Outcome delivery incentives	26
Data identified by our CCG	5
Additional data requests	3
Total	34

3.2 A full description of the 34 data items is given in Appendix 1 and details of the risk assessment for each of these measures is shown in Appendix 2.

#### Outcome of Risk Assessment

3.3 The table below shows the proportion of the 34 pieces of data that were assessed to be in each risk category. The risk assessment found that there were no critical risks, 4 high risk items, leakage, pcc Havant Thicket and carbon, with the majority of risks were either medium or low.

Category	2020/21
Critical	0
High	4
Medium	24
Low	6
Total	34

3.4 The Company considers that as its reporting and assurance processes develop over time the assessment of data quality improves accordingly.

3.5 For the 26 PR19 measures we have categorised them as 4 high and 19 medium and 3 low. This reflects there are, in many cases, new definitions we will need to report against.

#### PR19 ODIs

<b>Impact Score</b>	<b>4</b>	Temporary Usage Ban			
	<b>3</b>	Compliance Risk Index Voids Interruptions Low Pressure Affordability PSR WQ contacts Mains repairs	C-Mex D-Mex Severe Drought Unplanned Outage	Per Capita consumption Leakage Havant Thicket Carbon	
	<b>2</b>	WINEP Timing	Catchment Management AIM Grant Scheme Biodiversity Resilience Schemes Vulnerability		
	<b>1</b>	WINEP Delivery ROSPA			
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	<b>Probability Score</b>				

3.6 Two of the four measures categorised as high risk, Per Capita Consumption and Leakage, are subject to new regulatory definitions. For AMP7 there have been significant developments for reporting of leakage and PCC. The new definitions will ensure consistency of reporting between companies. Further, to comply with the new definitions has required specific capital investment in the network to record data which will underpin the new measures. The other two high risk measures are Havant Thicket and Carbon, which are both very high profile within the industry and for stakeholders.

3.7 Many of the medium risk items are the result that they are new measures being defined by two of our regulators, Ofwat and DWI. The remaining 3 measures have a lower assessment as we have reported against in the past to Ofwat and EA in particular.

3.8 Turning to the additional data requested by stakeholders, we have categorised 5 as medium risk and 3 as low risk. Again we have reported all of these measures externally for many years to Ofwat, EA and CCW.

<b>Impact Score</b>	<b>4</b>	Compliance of Abstraction			
	<b>3</b>	Watersure Complaints	Guaranteed Standards Scheme		
	<b>2</b>	Meters renewed Comm. Pipes Pumping Head	Meter optants		
	<b>1</b>				
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>
	<b>Probability Score</b>				

## **Risks, strengths and weaknesses**

3.9 The risk assessment we perform and the engagement with key stakeholders has provided the Company with a deep insight to the risks, strengths and weaknesses associated with data provision.

### **Risks**

- As a small company we are in reliant on key individuals to compile our data
- We have limited reporting direct from systems and hence the increased risk of compilation error.

### **Strengths**

- Reasonable processes and systems of control that provide the necessary assurance in respect of the reliability and completeness of the information published.
- Continual programme to improve reporting procedures.
- Strong board involvement and leadership.
- External data assurance activity.

### **Weaknesses**

- Some of the reporting processes are not fully covered by formal procedure documents and we have a plan to develop such documentation this year.
- Lower confidence and elements of estimation uncertainty associated with a small proportion of our data.

## 4. NEXT STEPS

4.1. We invite comments and further discussion with all of our customers and stakeholders. This survey will be distributed to all members of our CCG and made available on our website.

4.2. We welcome your response by **15 January 2021**

4.3. Based on your feedback to this consultation we will then publish a draft audit plan by **29 January 2021**. There will be an opportunity at this stage to ensure we have reflected any observations you may have appropriately.

4.4. We will engage further with stakeholders before publishing our proposed 2020/21 Annual Assurance Plan by end **March 2021**.

## APPENDIX ONE – DEFINITIONS

PR19 ODIs	
Compliance Risk Index	Published annually by DWI, CRI is the new water quality compliance measure quantifying the impact of all compliance failures
Interruptions to supply	The number of minutes that our customers are without water within our supply area (includes both planned and unplanned activities by the Company).
Leakage	A measure of the volume of water which is extracted and treated by the Company that is not delivered to the customer – it is the volume lost in transport.
Per capita consumption	The volume of water used each day by our household customers.
Mains repairs	The number of repairs to mains which result in a loss of supply to our customers. This is linked to our previous ODI of Bursts
Unplanned outage	The volume of capacity lost during the year as a result of an asset failure
Risk of severe restrictions in a drought	A new measure of water resource resilience which shows how many customers are at risk of standpipes or rota cuts in the most extreme of droughts
Priority Services	The number of customers on our Priority Services Register
C-Mex	A new measure of customer satisfaction have been developed jointly by the industry and Ofwat.
D-Mex	A new measure of developer satisfaction have been developed jointly by the industry and Ofwat.
Water quality contacts	The number of customer contacts we receive relating to the appearance, taste or odour of the water provided.
Properties at Risk of Low Pressure	Number of customers at risk of low pressure of supply as measured at their stop tap.
Catchment management	Engagement with farmers to enhance raw water quality; this is over and above those engaged with as part of the WINEP requirement.
Abstraction Incentive Mechanism	AIM identifies key rivers in the Company area and reports our abstraction in the catchment area relative to the flow in the river.
Biodiversity reward (grant scheme)	Provision of grants to third parties to undertake projects which enhance biodiversity in the region.
Biodiversity penalty (operational sites)	An agreed programme with our stakeholders to enhance the biodiversity of the sites we own and operate upon and other appropriate sites in the area.
Void properties	Number of properties on our billing system where a charge is not being raised.
Affordability	The number of customers on our Social Tariff
Resilience Schemes	Investment to improve the resilience of supply in the event of failure of our Farlington WTW.
Avoidance of water restrictions	Avoiding the need to introduce a restriction on customer use (typically during a dry summer) in accordance with the Company approved Drought Plan
Carbon	Reduce the volume of carbon produced by the Company in its operations.
Vulnerability	A survey of agencies of the service we provide to customers in vulnerable situations.
RoSPA	Keeping our colleagues and customers safe. The Company will apply for RoSPA accreditation annually.
WINEP (delivery)	Delivery of our agreed environmental programme of investigations in the AMP7 period
WINEP (timing)	Delivery of the above in accordance with the agreed timetable.
Havant Thicket	The delivery of the reservoir, both dry and wet commissioning

<b>Other metrics</b>	
Meter optants	The number of unmeasured household customers who have had a meter installed.
Abstraction compliance	A regulatory requirement for the Environment Agency to report our actual abstraction of water for the year is relative to our licences.
Guaranteed Standards of Service (GSS)	A legal requirement to provide compensation for failures of service.
WaterSure	The number of customers on this support tariff.
Written Complaints	This covers any written communication from a customer or a customer's representative alleging that an action or inaction of the company, or a service or lack of service provided by the company or agent/contractor has fallen below his/her expectation, even if written in mild and friendly terms.
Meters renewed	The number of meters renewed reactively and proactively.
Communication Pipes	The number of communication pipes in the company area by material including lead, galvanised and other.
Pumping Head	A measure of the effort (energy) required to deliver water to customers.

## APPENDIX TWO – RISK RATING

### Impact Metric: assessment of impact by inaccurate, incomplete or late submission

The Impact Score is the maximum score in any of the 4 classifications below.

<b>Impact on</b>		<b>Score</b>
<b>Customers</b>	Impact on level of service to	4 - all customers 3 - individual customers 2 - indirect impact 1 - no direct impact
<b>Competition</b>	Impact on competition	4 - direct impact on competition 3 – comparison by use of “league tables” 2 - an indirect impact on customers 1 - no direct impact
<b>Financial</b>	Impact on financial performance	4 - direct impact on company revenues and/or profitability. 3 - significant rewards and penalties 2 - either small rewards & penalties or an individual customer impact 1 - no impact
<b>Comparative Efficiency</b>	Impact on the regulatory regime	4 - impact on customer bills 3 - the publication of league tables 2 - challenges made on relative performance 1 - no impact

## Probability Metric

### Complexity of data used to establish data

- 2 – Single data system
- 3 – One numerical and one financial system
- 4 - Two or more numerical systems

### Incomplete data

- 2 – Complete data routinely captured for 4 years or more
- 3 – Routinely captured but for less than 4 years or some elements based on extrapolation
- 4- Not historically captured or is based on extrapolation

### Manual intervention

- 2 – Data collection fully automated
- 3 – Less than 60% manually collated
- 4 – More than 60% manually collated

### Complexity and maturity of reporting rules

- 2 – Rule set is complete and has not changed for 4 years
- 3 – Rule set is complete, but requires some interpretation or judgement
- 4 – Rule set is less than 4 years old or significant judgement is required

### Controls applied

- 2 – Extensive validation and prevention controls which have been in place for 4 years with systems and processes fully documented
- 1 - Adequate validation and prevention controls which have been in place for 2 years with systems and processes substantially documented
- 0 - Limited validation and prevention controls which have been in place for less than one year with limited systems and processes documented

### Experience of personnel

- 2 – Data collated by staff with prior experience of completing it and prior years method statement
- 1 – Either data collated by staff with no prior experience of completing it but using prior years method statement or experienced staff with no method statement
- 0 - Data collated by staff with no prior experience of completing it and no prior years method statement

### Historic errors identified and addressed

- 2 – Audit undertaken in the last 4 years and no material errors identified
- 1 – Either no audits within the last 4 years or material issues which have not been remediated
- 0 – Material issues identified in the last 4 years or no audit undertaken

## APPENDIX THREE – DETAIL OF RISK ASSESSMENT FOR PR19 ODIs

The impact score is the maximum score in any of the 4 classifications below.

See detail in Appendix 2.

			Impact Metric	Customers	Competition	Financial	Comparative competition	Complexity	Completeness	Manual Intervention	Reporting Rules	Control Activities	Experience of Personnel	Evidence of Historical Errors	Probability Metric	Classification
<b>PR19 ODIs</b>																
1	Compliance Risk Index	PR19-NP-01	3	3	3	3	3	2	3	3	3	1	2	2	1	M
2	Interruptions to supply	PR19-NP-02	3	3	3	3	3	2	2	2	2	2	2	2	1	M
3	Leakage	PR19-NP-07	3	2	3	3	3	4	3	3	3	1	2	1	3	H
4	Per capita consumption	PR19-WR-03	3	2	3	3	3	4	3	3	3	1	2	1	3	H
5	Mains repairs	PR19-NP-03	3	3	3	3	3	2	2	2	3	2	2	2	1	M
6	Unplanned outage	PR19-NP-04	3	2	3	3	3	2	3	3	3	1	2	1	2	M
7	Risk of severe restrictions in a drought	PR19-WR-04	3	2	1	1	3	4	4	4	4	2	2	2	2	M
8	Priority Services	PR19-R-005	3	3	3	1	3	2	2	2	3	1	2	2	1	M
9	C-Mex	PR19-R-001	3	2	3	3	3	2	3	2	4	1	2	2	2	M
10	D-Mex	PR19-NP-11	3	2	3	3	3	2	3	3	4	1	2	2	2	M
11	Water quality contacts	PR19-NP-06	3	3	3	3	3	2	2	2	2	2	2	2	1	M
12	Properties at Risk of Low Pressure	PR19-NP-05	3	3	3	2	3	2	2	2	2	2	2	2	1	M
13	Catchment management engagement programme	PR19-NP-08	2	1	1	2	1	2	3	2	4	1	2	2	2	M
14	Abstraction Incentive Mechanism	PR19-WR-02	2	1	1	2	1	4	3	2	2	1	2	2	2	M
15	Biodiversity reward (grant scheme)	PR19-WR-01	2	1	1	2	1	3	4	2	4	1	2	2	2	M
16	Biodiversity penalty (operational sites)	PR19-WR-06	2	1	1	2	1	2	2	2	2	2	2	2	1	L
17	Void properties	PR19-R-02	3	2	3	3	2	2	2	2	2	2	2	2	1	M
18	Affordability	PR19-R-03	3	3	3	3	3	2	2	2	2	2	2	2	1	M
19	Resilience Schemes	PR19-NP-12	2	2	1	1	1	2	4	2	2	2	2	2	2	M
20	Avoidance of water restrictions	PR19-WR-05	1	4	1	1	1	2	2	2	2	2	2	2	1	M
21	Carbon	PR19-NP-09	3	1	3	1	3	4	3	3	4	1	1	2	3	H
22	Vulnerability	PR19-R-04	2	2	1	1	1	2	4	2	4	1	2	2	2	M
23	RoSPA	PR19-NP-10	1	1	1	1	1	2	2	2	2	2	2	2	1	L
24	WINEP (delivery)	PR19-NEP-01	1	1	1	1	1	2	2	2	2	2	2	2	1	L
25	WINEP (timing)	PR19-NEP-02	2	1	1	2	1	2	2	2	2	2	2	2	1	L
26	Havant Thicket		3	1	1	3	1	2	4	2	2	1	1	1	3	H

## APPENDIX FOUR – DETAIL OF RISK ASSESSMENT FOR OTHER DATA

			Impact Metric	Customers	Competition	Financial	Comparative competition	Complexity	Completeness	Manual Intervention	Reporting Rules	Control Activities	Experience of Personnel	Evidence of Historical Errors	Probability Metric	Classification
<b>Other metrics</b>																
27	Optional meters installed	O2	2	2	1	1	2	4	2	2	2	1	2	2	2	M
28	Abstraction - compliance with licence conditions	O3	1	1	1	4	1	2	2	2	2	2	2	1	1	M
29	Guaranteed Standards of Service	O4	3	3	1	2	1	4	2	3	2	2	2	1	2	M
30	Watersure tariff	O5	3	3	3	2	3	2	2	2	2	2	2	2	1	M
31	Written complaints	O9	3	2	3	2	3	2	2	2	2	2	2	2	1	M
32	Number of meters renewed	O10	2	2	1	1	2	2	2	2	2	1	2	1	1	L
33	Number of communication pipes	O11	2	2	1	1	1	2	2	2	2	1	2	1	1	L
34	Pumping Head	O12	2	1	1	1	2	2	2	2	2	2	1	1	1	L