

Water Resource Management Plan

Board Assurance Statement

August 2019

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Board Assurance Statement

Background to our assurance statement

Every five years water companies have a statutory obligation to produce and publish a Water Resources Management Plan (WRMP). The WRMP should demonstrate that we have long term plans in place to accommodate the impacts of population growth, drought, environmental obligations and climate change uncertainty. For the WRMP19 there is a new strategic challenge in the form of demonstrating that our plan does not put at risk the Water Framework Directive status of the water bodies in our region.

The Board approved the draft WRMP in December 2017. At this stage we published the draft WRMP for consultation with customers and stakeholders. Following feedback on the draft we published our Statement of Response and considered any amendments required to the final WRMP as a result of comments made.

Welsh Government, Ofwat, NRW and the DWI have set out the approach they expect companies to follow in completing the final WRMP. Their guidance does not specifically request a Board assurance statement; however the Welsh Government do state that *'a preferred solution will have to be decided on the basis of it being the best value in meeting the needs of the water company customers, the environment and wider statutory / Welsh Government policies and objectives. The final preferred solution may not necessarily be the least cost option. The impacts of the option should be transparently appraised'*.

As would be expected for a long-term view, we have made a number of assumptions, and our plan uses 'the most up-to-date technology, methods and data available to produce supply and demand forecasts. However, there is uncertainty in all forecasts. Therefore we have analysed and quantified the variability and uncertainty that are built into the calculations for the dry year annual average demand and critical period (if applicable) scenarios'. Where we have made material assumptions or used alternative guidance we have highlighted these in our WRMP.

Our approach to assurance

We target assurance at the areas that matter most to our customers and regulatory stakeholders and we recognise that our long-term plans on water resources is one of those areas.

Our assurance model – three lines of assurance

As explained in our annual assurance plans, and assurance summary which accompanies our Annual Performance Report, we use an established three lines of assurance model for our regulatory submissions. We employ third line assurance in areas of greatest risk and where that assurance requires specialist engineering, financial or regulatory knowledge, we use external parties to undertake that assurance. This submission has been reviewed through our established governance and controls framework.

Given the importance of this submission we have employed third line assurance, delivered by expert external parties for those areas of greatest risk. Black & Veatch, our established independent technical assessor, has undertaken assurance that included both desk-top reviews and face-to face interviews:

Phase one focussed on the proposed WRMP including:

- Ensuring the outputs of the Statement of Response are accurately represented in the final WRMP;
- Checking alignment with PR19 submission to OFWAT;

- Checking the Hafren Dyfrdwy / Severn Trent England split is in line with NAV decision document and PR19 plans;
- Confirming the data changes for the tables reflect this split;
- Confirming first and second line assurance has been carried out by peers for relevant sections.

Following the assurance, the findings were discussed with Black & Veatch and a number of changes were made to reflect the recommendations made. A summary of the recommendations made by Black & Veatch and our response to them are in the next section.

Phase two provided a review of the accompanying data tables to confirm accuracy and completeness of the data.

Our assurance findings

Statement of Response

Black & Veatch concluded that we had a robust process in place for collecting and recording representations on our draft WRMP. This included identifying whether representations warranted a material change to the draft WRMP and drafting responses and collating these responses into our Statement of Response.

This also included our intentions to make changes to the final WRMP in the areas of: leakage, metering and demand management, and drought risk.

Phase 1: the final Water Resource Management Plan

We engaged Black & Veatch to review our proposed approach - focusing on consistency and compliance with Ofwat, Welsh Government, NRW and DWI guidance. We are pleased that through the robustness of our first and second line of assurance Black & Veatch found no material issues in our plan.

Phase 2: the data tables

We engaged Black & Veatch to review our data tables which had been amended between the draft and final Plan versions. We are pleased that through the robustness of our first and second line of assurance Black & Veatch found no material issues in our data tables.

Conclusion

Black & Veatch have stated *"We had no material concerns. We concluded that the company used thorough methodologies to:*

- *Identify and reallocate properties to appropriate HD and STW WRZs, which we confirmed by sample checks on individual properties*
- *Identify changes needed to the dWRMP and incorporate them into the fWRMP, which we confirmed by tracking through the company's tracker spreadsheet.*
- *We confirmed that the fWRMP was consistent with the PR19 Business Plan and the NAV Application."*
- *Produce the fWRMP tables from the audited dWRMP tables, taking into account boundary changes, changes in the leakage target and metering and water efficiency proposals, which we confirmed by sample data checks."*

Board assurance statement

Having reviewed the draft and final WRMP and all supporting assurance and having taken the above into account, the Hafren Dyfrdwy Board makes the following statement:

- The Board is satisfied the plan represents best value in meeting the needs of our customers, the environment and wider statutory / Welsh government policies and objectives.
- The Board is satisfied that while the final solutions within the plan may not be the least cost option, the impacts of all options have been transparently appraised.
- The Board are satisfied the plan represents the most cost effective and sustainable long term solution.

Signed by and on behalf of the Board:



Liv Garfield
Chief Executive



Mohammed Mehmet
Non-executive Director



John Coghlan
Chairman