

Board Assurance Statement

Charging arrangements for new
connection services 2018-2019

Board Assurance Statement

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.

In this statement we describe the systems of internal control we relied on to ensure that we comply with our statutory, regulatory and licence obligations relating to our charges for new connection services and in particular that our charges for new connection services and our charging arrangements for 2018-19 comply with the charging rules for new connection services issued by Ofwat.

We have also paid particular attention to the issues related to the transition to a new method of charging in the context of legislative changes and to maintaining the balance of charges between developers and other customers. We have considered the interplay between the new approach to requisition charges and the revised infrastructure charges.

In setting our charges for new connection services we followed the principle that they should reflect fairness and affordability, environmental protection, stability and predictability and transparency and customer-focused service. We also ensured that no undue preference is shown to, and that there is no undue discrimination against, any class of customers or potential customers.

Governance 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, the Wholesale steering group and a review and approval by Senior Management and the Executive Directors.

In December 2017 the Board approved the final approach for producing the charges for new connection services for 2018-19 including external assurance undertaken by Reckon LLP having regard in particular to the requirements of the charging rules for new connection services.

Internal control processes

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 and our charging model have been thoroughly reviewed internally and externally.

Maintaining the balance of charges between developers and other customers

The process we followed to ensure that the balance of charges between developers and other customers was broadly maintained included the following key steps.

A reviewed of developer related expenditure and of the company's expenditure, of contributions relating to requisitions (including on-site and off-site), asset payments, connections and infrastructure charges over a 5 year period was first carried out to establish the existing balance of charges.

We then ran models with our proposed new charging methodology over a number of scenarios and used assumptions on the forecasted levels of development that were consistent with the levels of development recorded over the past 5 years and that underpinned the current charging balance in order to forecast contributions and expenditure levels moving forward.

Finally we ran both charging methodologies (old and new) against each other for a rolling 5 year period to determine if the balance of charging had been maintained.

Reckon LLP reviewed our methodology and assumptions and concluded that we had taken the necessary steps to ensure the balance was maintained.

External assurance

In addition to the internal assurance undertaken, the Board has also obtained assurance from Reckon LLP. Specifically, Reckon LLP was asked to review the methodology for the new charges, to assess compliance against the charging rules for new connection services and that the new charges maintained the balance of charges between developers and other customers. In respect of infrastructure charges Reckon LLP was asked to confirm that costs included in our assessment complied with the new definition of offsite reinforcement.

They produced a detailed assurance statement, which concluded:

“Our overall view, from a review of the methodology overview document, is that SEW has taken considerable steps to seek compliance with the various rules set out in Ofwat’s Connection Charging Rules and Charges Scheme Rules documents, and to ensure that within the parameters set by those rules, charges are stable, predictable and affordable. In particular, we can see the logic for a number of features of the new approach, including the approach to connections charges, to improving the transparency of charges (through the use of upfront fixed charges and the online tool for developers), and to maintaining the balance of charges between developers and customers (including the balance between different types of developers).”

External engagement

In developing our charging arrangements for new connection services we have engaged with the Consumer Council for Water (CCWater) to discuss the engagement we have undertaken with developers, self-lay providers and other stakeholders. All recommendations from CCWater have been undertaken and no outstanding issues remain.

Board statement

For the preparation of this statement we have considered compliance with our statutory, regulatory and licence obligations relating to setting our charges for new connections, the requirements of the charging rules for new connection services and those set out in information notice 17/09.

Our governance and oversight processes 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.

This enables us to have a high degree of confidence in the information presented in this statement and in our charges for new connection services and in our charging arrangements for 2018-19.

Based on the scope and outcome of the process review detailed in this statement the Board is able to confirm that:

- i The company complies with its obligations relating to the charging rules for new connection services;
- ii The company has appropriate systems and processes in place to make sure that the information contained in the charging arrangements and the additional information relating to our charges for new connection services is accurate.

We have provided in the previous sections of this statement explanations on how the company has ensured that the balance of charges between developers and other customers is broadly maintained.

Signed on behalf of the Board by:



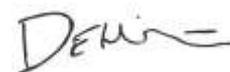
Chris Girling
Chair of the Audit Committee



Paul Butler
Managing Director



Andrew Farmer
Finance Director



David Hinton
Asset and Regulation Director

Contact Us

South East Water
Rocfort Road
Snodland
Kent
ME6 5AH
Tel: 0333 000 2244

southeastwater.co.uk

Follow us

