

29 March 2019

Anglian Water Services Limited
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Huntingdon
Cambridgeshire
PE29 6XU

For the attention of the Regulation Director

Dear Sir

Price Review 2019 (PR19) Data Table Resubmission Assurance Support

This summary letter provides the background to our role providing assurance support for the PR19 data resubmission, the scope of our work and the summary findings. This letter and our related report were prepared under the terms of our engagement letter dated 16 March 2018 solely for Anglian Water Services Limited (Anglian Water) use for the purpose of assessing key elements of Anglian Water's development of the PR19 data table resubmission.

Introduction

Appointed water, and water and sewerage, undertakers are required by Ofwat to provide a business plan as part of Ofwat's PR19 business plan process. This business plan is supported by data submissions, in the form of data tables. Anglian Water's board are required to assure themselves that the data in these tables, as well as in the wider business plan, are of a high quality.

In January 2019 Ofwat provided their initial assessment of business plans, and requested that companies provide additional data, as well as update previously submitted data based on their feedback.

Anglian Water established a programme team dedicated to preparing and delivering the PR19 business plan and resubmission to Ofwat by 1 April 2019. Anglian Water developed an assurance approach for its PR19 programme in order to provide confidence to its stakeholders (including the Board and senior management) that the resubmission of the PR19 business plan was of the required quality to meet Ofwat's expectations.

Anglian Water engaged Deloitte and other external providers to provide assurance support and undertake individual elements of the assurance plan. Deloitte's primary focus was on the assessment of Ofwat query responses, the in-scope PR19 data tables and updates to the financial model. Anglian Water remained responsible for overall delivery of the assurance plan, collating the results of individual assurance activities and the programme assurance summary provided to the Board.

Scope of work

Anglian Water engaged Deloitte to carry out a series of assessments as part of the overall PR19 business plan resubmission. A terms of reference was agreed for this assessment prior to commencement. The scope of the assessment is summarised below:

- **Ofwat query responses:** post submission of the business plan, Ofwat raised 40 queries with Anglian Water. At the request of Anglian Water, we completed defined procedures over 19 responses to confirm the response was relevant, complete and supported by evidence in line with the business plan resubmission.
- **Data tables:** we completed an assessment of 55 specified data tables Anglian Water plans to resubmit. Our work included identifying and assessing the changes made to the data table since the original September submission, agreeing these to one preceding level of supporting documentation and confirming that an audit trail is available to support the content of the updated data table.
- **Financial model updates:** we completed an assessment of the updates made to the financial model which included a review of Anglian Water's process for populating and completing the model and the quality of data inputs.

Overall Summary

Based on our scope areas, we raised 124 exceptions with Anglian Water.

- 5 exceptions related to Ofwat query responses
- 119 exceptions related to data tables

This was largely due to a lack of information or inconsistent information to support data table changes by management. The exceptions identified represent individual and isolated points and do not indicate any wider systematic or pervasive issues.

Following actions undertaken by Anglian Water and summary management responses provided to us, exceptions were then closed by Anglian Water. At the time of reporting, we were able to confirm that Anglian Water had reviewed and resolved all 124 exceptions. We did not perform re-testing on the full data tables affected.

No discrepancies have been identified in the process of Anglian Water updating the latest PR19 Financial Model provided by Ofwat. Our review has not identified any concerns either within the model inputs or feeder models.

We have not undertaken any further re-assessment of the supporting commentary, data tables or financial model where data may have been updated subsequent to our IAP re-assessment.

We prepared a report for the assessment areas listed above, with details of exceptions raised and relevant management actions.

Out of scope elements and limitations of our work

The scope of our work was limited solely to those procedures in the scope areas we agreed with Anglian Water. Accordingly we do not express any opinion or overall conclusion on the procedures we have performed. Anglian Water is responsible for determining whether the scope of our work specified is sufficient and we make no representation regarding the sufficiency of these procedures. If we were to perform additional procedures, other matters might come to our attention that would be reported to you. Our reports should not be taken to supplant any other enquiries and procedures that may be necessary to satisfy the requirements of the recipients of the report. The procedures we performed did not constitute a review or an audit of any kind. We did not subject the information given to us by the Directors to checking or verification procedures except to the extent expressly stated above. This is normal practice when carrying out such procedures, but contrasts significantly with, for example, a statutory audit. In regard to the data tables assessment, our procedures involved checking back to the data source but not auditing or verifying the source data.

This letter has been prepared solely for the use of Anglian Water in accordance with our Letter of Engagement dated 16 March 2018. Our work has been undertaken solely for the purpose of informing Anglian Water's assessment of its plan and scope for the PR19 data tables resubmission. Our work was not planned or conducted with any other objective in mind and so cannot be relied upon for any other purposes. Our letter may be provided to the Water Services Regulation Authority (Ofwat) and included within the PR19 documentation published on Anglian Water's website in full for information only without any liability on our part. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Anglian Water for this letter or for the work we have performed.

Yours faithfully

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, slightly stylized font.

Deloitte LLP