

Assurance Report from the Customer Engagement Panel

The Customer Engagement Panel (CEP) was established in September 2022 to scrutinise the quality of NWL’s customer research and engagement to inform the PR24 business plan. The CEP was established following the company’s review of PR19 customer engagement activity, which was informed by feedback from the Water Forum and independent review and evaluation.

We have been set up as an independent sub-group of the Water Forum. We bring significant expertise in customer research and engagement, and in representing the interests of consumers in the water sector – read more about [our panel](#).

This report concludes our assurance activity of the PR24 business planning process and enables the Water Forum to answer its eighth question – namely, ‘does the plan listen to and meet customers’ needs by building on high-quality and effective research and engagement throughout the PR24 process?’ We welcome any final comments ahead of its submission.

Our approach to assurance

Our role is to help ensure the plan listens to and meets customers' needs **by building on high-quality and effective research and engagement throughout the PR24 process**. We designed seven criteria to guide our assurance activities. These are based on the previous work of the Water Forum and customer engagement guidance provided by Ofwat and the Consumer Council for Water (CCW).

CEP 1	Research and engagement have a clearly defined underlying strategic purpose and objectives.
CEP 2	Research and engagement activities are proportionate, joined up and not treated in isolation.
CEP 3	Well-designed, timely and unbiased research design using suitable methods and suppliers.
CEP 4	It is inclusive and reflective of different customer groups' needs and preferences.
CEP 5	Deepens the relationship with customers by being ongoing, two-way and transparent
CEP 6	Evidence of a good understanding of customers' needs, priorities and preferences
CEP 7	Clear links between research and engagement outputs and how they inform the business plan

Our research and engagement focus

Our main assurance focus has been on the design of newly commissioned research and engagement. This has included being engaged throughout all stages of acceptability and affordability testing – both company-led and nationally-led stages of the research. We had some input, along with CCW, on materials and group observations for the social tariff research. We also observed the Your Water, Your Say workshop.

For acceptability and affordability research, we scrutinised all key stages of the research process, including:

- The strategic purpose of the research – questions asking, who asking and why
- Research commissioning – what's the brief, preferred supplier and why
- Research design – sample, stimulus, discussion guide, pre-reads
- Observation – observed participative research groups in action
- Research debrief to the business – quality of debrief and depth of insight
- Interpretation of research findings in the plan – reviewed related plan outputs

We carried out a retrospective review of the customer research and engagement strategy and a review of the company's approach to triangulation and its application when evaluating evidence on customer priorities.

We had a bespoke session with Company Leads following our interim report to understand more about how they are driving the strategic direction of research commissioning, how they are using multiple sources in decision-making and how they are using insights from the acceptability and affordability testing to shape the plan.

We have had to be proportionate with our time and engagement activities. We were recruited to provide between one and two days each month working with the Water Forum and engaging with NWL's customer research and engagement operation. This naturally extended to on average three days each during the qualitative phases of testing customers' views of the acceptability and affordability of the plan. In addition, more time was spent in the latter months reviewing business plan drafts and accompanying documents.

The timing of the formation of the panel has meant we weren't involved in the commissioning and execution research conducted for the DWMP, WRMP or WINEP. However, we have evaluated how these insights have been used in the triangulation of customer priority insights and line-of-sight reporting.

Our observations and challenges

We are conscious that the removal of the mandate for independent customer challenge groups (ICGs) in PR24 could mean a high degree of variability between water companies in the level of technical scrutiny and challenge of their customer research and engagement. So we would like to start by commending the company for establishing an independent mechanism for listening to and being open to constructive challenge and feedback of its programmes of research and engagement.

We also acknowledge the comments made in the report of the ICG independent review commissioned by CCW that: 'Much of the expenditure incurred by the water companies, including the great majority of expenditure related to the environment, is determined by licence obligations and the associated regulation. This means that the discretion companies have to respond to customer needs and preferences is limited.' It is within this context that we have set our expectations of what is reasonable and proportionate in terms of understanding the needs and preferences of customers and the extent to which these can be reflected in the Business Plan.

Finally, a large proportion of the research we have reviewed is driven by a national research agenda and prescribed methodological guidance so our observations may also benefit from feeding into a post-PR24 national discussion. We have outlined some of our national observations in the [challenges to Ofwat](#) section.

While our scrutiny and challenge were underpinned by the [assurance criteria](#), our observations and challenge are structured by the themes that surfaced from our work: [openness to challenge](#), [people and resourcing](#), [innovative methods of engaging customers](#), [procurement of research services](#), [research quality](#), [use of multiple and joined-up data sources](#), and [responsiveness to the interests of customers](#).

Openness to challenge

The company and the Water Forum recognised there was a gap in the technical assurance of the quality of NWL's customer research and engagement to inform the business plan. This report focuses on that aspect – although we have also fed direct observations into each draft of the business plan, which feature in the wider Water Forum Report. We believe the company did a good job of responding to all challenges and establishing the CEP with a clear role and responsibility.

We have been appropriately resourced and supported throughout the process. We have been given access to staff working on the frontline of customer research and

engagement and relevant materials to enable us to perform our role. Our work and observations have also been exposed to the Board's customer sub-group.

We believe the company has been positive, open and transparent with us. The company has been receptive and responsive to our feedback, though we acknowledge that this has at times been uncomfortable to hear.

People and resourcing

NWL has a small dedicated and hardworking customer research and engagement team. The team has demonstrated great commitment to representing the voice of customers throughout the PR24 review process. The team has been inclusive of the CEP in its programme of work, open to scrutiny and responsive to challenge throughout.

For example, we challenged the structure of the pre-acceptability workshops the team ran to test the prescribed affordability and acceptability testing methodology. We felt the structure limited the insight that could be drawn on customers' views of each investment option. The business responded positively by commissioning deliberative groups to gain a deeper understanding of customer views on each investment option. These were done quickly and efficiently and surfaced significant insight to help inform further options for business planning consideration.

Though a lot of investment has gone into the PR24 research programme, the team delivering the work is small and stretched in what it can achieve. Responsibility for different programmes of research activity is also fragmented across the business – with ongoing customer C-MeX, brand tracking and other engagement metrics such as customer complaints or social media engagement sitting in a different part of the business to customer research and engagement.

We raised questions about who has the overarching strategic responsibility in the executive for the voice of the customer both in general and during the business planning process. We have been reassured that corporate structure aligns the responsibilities for corporate affairs, customer and economic regulation to allow for activity across all customer touchpoints to be aligned and joined up.

We were given sound examples of how the company mitigate the risk of fragmentation through clear processes and communication channels. Examples given included: weekly cross-departmental meetings, fortnightly keep-in-touch meetings with wider company representatives and monthly steering group meetings. Further to this, the company confirmed that it has established business-as-usual processes in place for sharing

insight and learning with the business and executive teams from customer engagement activities including C-MEX, D-MEX, NPS, complaints, business tracking, customer sentiment research and on-the-ground engagement.

During the course of our work, we didn't experience firsthand how operational leaders across the business commission research and insight across multiple sources to inform their decision-making and ensure it considers the customer's voice. We have been reassured by both the business partner leading the customer research and engagement team and the executive team that there is an integrated approach to the design and commissioning of research and engagement, involving company leads across the business.

We were also provided with the opportunity to speak directly with operational business leads about their involvement in the design and commissioning of research and engagement and their use of insights in business planning. During this process, we heard evidence of how operational leads across water, wastewater and environment, customer and affordability, and asset health and adaptation are drawing on customer insights to shape business planning decisions. We didn't hear about how business leads are involved in the commissioning of research.

Innovative methods of engaging customers

The customer research and engagement team has demonstrated innovative methods of engaging with customers on complex topics. We were able to observe NWL's People's Panel on a number of occasions. This is a group of more informed current and future bill-paying customers who regularly take part in deliberative focus groups and workshops covering a range of issues.

The team also shared other innovative methods of customer engagement – including its customer engagement van Flo which tours local communities in Northumbria to listen to what customers have to say about their water and waste services. We haven't had the opportunity to observe this in action but think it's an excellent opportunity to encourage engagement within the community.

Procurement of research services

We have seen that the team has a robust procurement assessment tool in place – reviewing it retrospectively for research commissioned with non-domestic customers. However, most research services for PR24 (and previous price reviews) have been delivered through one research partner. This was based on a conscious decision made by the business to work with one expert business partner on the core PR24 research

programme in order to provide a deeper level of understanding of customer views. We understand the business has gained value from this close working relationship. We have also had the opportunity to work alongside this supplier and can see they have extensive knowledge of the sector, sound expertise and are consistently reliable in their delivery.

We have also encouraged the use of different suppliers to provide opportunities for fresh thinking to add another dimension to the Company's research work. The company used different suppliers in the commissioning of research with non-household customers and retailers, and in the collaborative research that it did with other water companies to inform regional Water Resource Management Plans.

Research quality

Every effort has been made by the team, working with its preferred research supplier, to follow the Ofwat guidelines for testing customers' views of the acceptability and affordability of PR24 business plans. They paid considerable attention to every detail of the guidance but were also quick in identifying and dealing with problems and in identifying suitable solutions.

For example, the team identified problems with the proposed presentation of comparative company performance data that could unfairly bias customer opinion in the quantitative phase of acceptability and affordability testing. It used cognitive testing with customers to evidence concerns and to help shape a solution to presenting this information in a fairer and more clear way. This was fully adopted by Ofwat and CCW.

We challenged the quality of the qualitative phase of the acceptability and affordability research for not being deliberative enough. For example, we haven't understood what acceptability has meant to different groups of customers and there has been little opportunity to explore the overarching context of feelings about water and wastewater provisions and providers.

We acknowledge that the company has been working within the boundaries of a prescribed methodology, which has dictated the research design and development of materials and discussion guides. This has limited deliberation and led to too much reliance on polling to get an understanding of customer sentiment on different topics. Furthermore, the running of groups online was challenging given the amount and complexity of the materials.

We had sight of the full research and engagement reports for the social tariffs research and the qualitative and quantitative phases of the acceptability and affordability research during the later drafting stages of the business plan. Business briefings we were involved in prior to this were limited to one hour long and presented only short, top-line findings with an over-reliance on the quantitative elements (polls and post-task surveys), rather than depth of insight across the different customer types. We were assured by the team that they were considering these topline results in real-time in developing the plan. We have been closely reviewing the final stages of the business planning process to ensure the richness of insights derived from these later phases of research are both considered and included.

Use of multiple and joined-up data sources

We have seen good examples of the collation and housing of multiple internal and external research sources – using NVivo data analysis software. We have heard that this is used by the team to quickly assimilate and triangulate customer insights as and when they are needed on topics by the business. In the review session we had with business partners we saw some examples of how operational leads across the business are drawing on different insights to inform planning but not about their use of NVivo as a tool to support this.

Though the NVivo analysis is not easily accessed across the business without the support of the customer research and engagement team, the team launched its online research library in 2022, which is an open-access repository of individual data and insight reports. Content can be accessed and downloaded in its raw form; including some research reports from its PR24 research and engagement activities, its People's Panel discussions and its regular tracking surveys.

More recently, the business has adopted a new framework for triangulation that was developed in consultation with Sia Partners. It has used this framework to evaluate and synthesise evidence on customers' priorities for common performance measures across 23 customer research projects. We were given the opportunity to evaluate this framework. Gaps identified by the CEP were responded to by the team and the framework was adapted to include a recency of research metric.

Using the research and engagement tools that the business has available to it will be valuable throughout the next Asset Management Plan (AMP) period given the unprecedented and huge level of investment and transformation that is included in the Business Plan, alongside the uncertain economic context in which that will be delivered.

The wider Water Forum has identified, as noted in its Report, specific opportunities for doing this.

Responsiveness to the interests of customers

We challenged the business to demonstrate more clearly the links between customer insights and the business plan narrative. The business developed customer insight summaries that are presented in the PR24 line-of-sight report and it has now more clearly presented referenced key customer insights throughout the business plan narrative.

We have been especially interested in understanding how the results of the acceptability and affordability quantitative survey, which were delivered in August, will impact the business plan given these were not available until after two drafting stages of the Business Plan. We have been assured that the results will be used in the business plan but, due to timing, these will not change business plan decisions. We recommend that the significant affordability challenge raised in the quantitative research should be fully considered. The business has more fully considered and reflected on the outcomes of the qualitative affordability and acceptability research which it sees as richer and more considered.

Challenges to Ofwat

We are supportive of collaborative and comparative approaches to conducting customer research to inform business planning. However, we have some observations and challenges for the regulator to inform future considerations.

For the acceptability and affordability testing, we feel there was far too much mandatory information to incorporate and explore during both the qualitative and quantitative stages of research. We saw evidence in the deliberative groups of consumers, especially more vulnerable respondents, switching off or glazing over at the breadth, complexity and volume of information that needed to be considered. For example, understanding the metrics for the performance commitments or the difference between the Long Term Delivery Strategy and the 5-year business plan.

We had questions about the validity of using 'acceptability' as core measure. This can have different meanings to different people. So, for example, it could be acceptable that what is presented are the right investments, people could accept they are the right investment areas but not be willing to pay for them or they could accept them if the company matches or pays. These nuances were not fully explored or understood in qualitative or quantitative stages.

The way business plan preference was asked in the post-task acceptability and affordability research is not the best practice. Customers were only asked for preference between plans and weren't given the opportunity to say 'neither' or 'don't know' (Q4). The questioning and ordering of questions in the quantitative acceptability and affordability survey could have been improved. For example, investment areas were ranked for importance in clusters of three and inflation was treated differently from price rises due to investment. We would also question the prescribed minimal sample size of 500 as that does not allow for robust sub-group analysis for example regional or demographic variation.

Our panel

The panel consists of three core members:

- Nikki Stopford – independent Chair of the CEP
- Barbara Leech – Consumer Council for Water (CCW) consumer advocate
- Karen Cooper – independent member of the CEP

Nikki Stopford

Nikki has more than 25 years of experience in consumer research, publishing, advocacy and policy. She has held executive and non-executive positions in corporate and non-profit sectors and has significant strategic and organisational leadership experience.

She is co-founder of Consumer Voice – a consumer website and community which helps to raise awareness of and engagement with consumer group legal actions in the UK. She is Chair of the British Standards Institute Consumer Forum and a member of the Customer Engagement Group for UK Power Networks. She was the Chief Operating Officer at Resolver, a technology business operating in consumer complaints and dispute resolution markets and, for 10 years, she was Group Director of Research and Publishing at Which?.

She has worked across regulated industries but is new to the water sector. She specialises in using data-led techniques and strategies to shape business decisions, understand and give voice to consumers, and improve product design and service delivery.

Barbara Leech

Barbara has 20 years' experience of working at CCW, the independent voice for water consumers in England and Wales. CCW champions the interests of consumers and influences water companies, governments and regulators.

Her policy background and main areas of interest are in social policy areas around affordability, particularly those struggling to pay, and championing the interests of consumers who find themselves in vulnerable circumstances.

As a Consumer Advocate, based primarily in the North East of England she scrutinises and challenges Northumbrian Water's services from the customers' perspective encouraging them to put the consumer at the heart of their plans and decision-making.

Karen Cooper

Karen has over 25 years of experience helping companies and organisations understand their customers, their competitors and the wider cultural backdrop in which they operate.

She started her career as a Management Consultant, where she developed a strong interest in understanding demand/consumer dynamics, before moving to work as a Brand Planner in the advertising industry, developing core communication and marketing skills including utilising and conducting qualitative and quantitative research. She was promoted to the Board of leading agency AMV BBDO, before setting up her own insight consultancy, Living Brands in 2007.

She has worked across an array of sectors and organisations, and takes that experience and learning into the water industry. She is passionate about organisations finding and embedding clear consumer insights into their business at every stage of the planning process. Karen is also a Trustee for a not-for-profit volunteering network, encouraging and connecting volunteers to charities.