
7 JULY 2016

THE BULL HOTEL, PETERBOROUGH

MEETING NOTES

PRESENT:

Independent Chair: Jim Dixon

For Consumer Council for Water (CCW): Robert Light

For Environment Agency (EA): Melissa Lockwood

For Natural England (NE): Gareth Dalglish

For Customer theme: Bernard Crump (CCW), Colin Wilkinson (CCW), Melanie Laws (Independent member)

For Economic Impact theme: Steve Grebby (CCW)

For the company: Heidi Mottram, John Devall, Louise Hunter, Jim Strange, Ros Shedden

APOLOGIES:

For Environment Agency (EA): Charlie Beardall, Fiona Morris

For Natural England (NE): Karen Purves

For Customer theme: Ammer Malik (Stepchange)

For Economic Impact theme: Sarah Glendinning (Confederation of British Industry)

For Environment theme: Richard Powell (CCW)

For Communities theme: Mary Coyle (Independent member), Carolyn Taylor (Essex Community Foundation)

For Citizens Advice Bureau (CAB): Lesley Crisp

For Essex Chamber of Commerce (ECC): Robert Leng

For the company: Claire Sharp

NOTES AND ACTIONS

1. Welcome and apologies

Jim Dixon (JD) welcomed everyone to the joint meeting of the Forums. He began with a message of “well done” to Charlie Beardall on his recent MBE award; members joined him in this.

JD also gave thanks to Bernard Crump and Andrea Cook the outgoing Chairs and also the members who have contributed to previous Forums. He also thanked everyone he had met from the company for their warm welcome.

Eight independent members, Karen Purvis, Ammer Malik, Sarah Glendinning, Richard Powell, Mary Coyle, Carolyn Taylor, Lesley Crisp and Robert Leng had given their apologies. One company member, Claire Sharp, had also given her apologies. Also Jim had received apologies from EA’s Charlie Beardall and Fiona Morris and welcomed Melissa Lockwood who was deputising for them.

JD gave an update on the Forums progress and the work he has done with the company. He said he has been enormously impressed by people at all levels and this only happens in organisations that work at it. He said his induction had set the tone for the work ahead. The Forums were not positioned to knit-pick or to pick fault – they were to be part of the continuous improvement culture, helping the organisation move to a new level of even higher performance.

JD described how the Forums presided over two diverse regions. Their target groups in the community linked with people whose relationship with company is part of their everyday lives. JD said he was both intimidated and excited by the challenge in equal measures.

2. Notes and actions of the last meeting (29 June 2015)

Actions from last meeting were reviewed. Members noted that the Forums have not been active for a year. However, the Company had carried out its actions by engaging with members in working groups such as the Nominations Committee, or with members individually in their statutory capacity. The record in the table at the end of these notes (Appendix 1) has been updated with progress. There was one notable point:

- gain share – there had been a previous action to add 'gain share' to the standard agenda. As there is no current gain share issue, members agreed that the best approach would be for the company, or members, to bring a gain share proposal to the meeting when there was a tangible item to address.

Members approved the notes of the last meeting of the Forums.

3. Company welcome and Forums update

Heidi Mottram (HM) welcomed members to the Forums. She said the water industry was in a period of great change and things had been moving very quickly over the last twelve months.

Given the proposed new structure for the Forums, focussing around the company strategic themes of Customer, Economic Impact (Competitiveness), Environment, People and Communities, HM gave some highlights in this order. She then gave some regulator (Ofwat) highlights.

Customer

HM started with thanks to the Forums. She said the Forums were fundamental to the company's success in the 2014 Periodic Review, in helping it to shape its business plan and making sure that customer needs were at the very heart of it. Since that time the company has carried out a comprehensive review of how the Water Forums work, taking account of industry research, Forum members', Ofwat's, and company views.

HM said a special thank you to those members who were involved in supporting this review; she said it was a hugely valuable input. Their feedback has helped to develop the new Forums in a truly innovative way. Heidi said the company is delighted that some existing members are staying with the process and have also helped to bring some new faces into the fold too.

HM also said she was delighted to have appointed Jim Dixon – he would be the lynchpin of the new Forums, ensuring their independence and value. She had spent some time with him in recent months, and was certain that he will be a great Chair.

HM described the other important piece of company work, the development of its new Unrivalled Customer Experience strategy. The vision for this strategy is to achieve world beating customer service, recognised beyond the water industry as a leader in customer service and up there with companies like John Lewis. She described how the company had looked externally at how some of the best companies in the world achieve customer service excellence as well as asking a cross section of customers, including those who are more vulnerable.

Competitiveness (see also Retail competition information paper)

HM then moved on to competitiveness and described, the opening of the retail market for non household customers, which is due to happen in April 2017. HM said the company had actively engaged with the market reform programme from the very start. Her personal involvement was in the original creation of the market structures.

HM said the company has continued to work with its regulators and MOSL, the market operator, to put the structures and processes in place for a successful market opening. Alongside this the company is building its retail business and, led by retail MD Lucy Darch, it is looking to be active in the water retail market on a national basis. Lucy Darch will be invited to meet with the Forums later in the year (company action).

HM said the company focus has been to ensure that both its wholesale and retail business continues to deliver the very highest levels of customer service, and that it embraces the spirit and codes of the new competitive market.

The other area that HM covered under the Competitiveness banner was the company work on growing a culture of innovation. She said it is essential for the company to innovate in order to improve service and environmental performance at a cost that customers can afford. She described some of the partnerships and initiatives that are driving the development of, and making best use of, to achieve the company's outcomes.

Environment

HM said the company's innovative thinking had landed some great successes for the Environment in the last twelve months. The company had delivered a gas to grid plant at its sewage treatment works at Howdon in North Tyneside. It is the only water company to use 100% of its sewage sludge to produce renewable energy.

Staying on the waste water side, HM said the company had become acknowledged as industry leading on its approach to Sustainable Urban Drainage (SUDs). It has found that the best way to deliver cost benefit flood protection is by taking an integrated approach between drainage partners. The company is working with the Environment Agency (EA) and lead Local Flood Authorities across the north east of England to implement a partnership approach to long term strategic drainage planning.

With respect to resources, the raising and the rebuilding of Abberton reservoir was an investment for the longer term water supply and will secure water for Essex customers for generations to come. However, it is also recognised as one of the most impressive examples ever of a private company working on a highly significant wildlife site and actually enhancing the habitats and nature. On a national level, the company has played an active role in delivering the national water resources plan. This important piece of work will help to inform infrastructure investment decisions and is a great example of the industry working collaboratively.

Community

HM said the company's performance in supporting local communities and social and environmental partnerships has remained as strong as ever. Last year 55% of company people volunteered in communities in work time. Members had been given a copy of the company Partnerships report to give them an appreciation of this activity.

Ofwat

HM said that Ofwat had given better direction for Periodic Review 2019. However, it would probably continue to change direction in unpredictable ways as the process unfolded. One important example of current change was the inflation index, the industry would be moving away from RPI, but the exact mechanism is not set, the industry was in a transition mechanism.

Members had been provided with Ofwat's 'Customer engagement policy statement'¹. The role of the Forums at Periodic Review 2019 (PR19) will be to provide independent challenge to companies and independent assurance to the company on:

¹ Ofwat's customer engagement policy statement and expectations for PR19 (25 May 2016)

- the quality of a company's customer engagement; and
- the extent to which the results of this engagement are driving decision making and are reflected in the company's plan.

HM said Ofwat had also recently judged the company as being “the most efficient”. This went well with other accolades such as being named on the Ethisphere list of the world's most ethical companies for the sixth year in a row – the only water company in the world to feature. And closer to home the company was delighted that CC Water's report published last week found it to be the most trusted water company in the UK.

4. New Water Forums (see also papers 4.1, 4.2 and 4.3)

4.1 Water Forums update and 4.2 Draft Terms of Reference

Jim Dixon (JD) described the structure of the new Forums and invited members to give their views.

JD referred to the Terms of Reference paper (4.2) which proposed that:

- the Forums comprise of separate Northumbrian and Essex & Suffolk Forums, each with standing networks which are aligned to company themes and outcomes;
- members would take up their responsibility by developing engagement plans which will seek to plan activities so that the widest and most appropriate audiences can be engaged in each theme;
- the company would not identify the target stakeholders at the outset of this process as more value would be gained by the empowerment of the chairs and vice-chairs; and
- to form the networks the company would start with appointment of the network chairs and then ask them to identify the individuals and organisations they think should be in their networks and how they think they can reach their stakeholders.

Through this proposal, the Forums' membership would be made up from the network chairs and vice-chairs, and statutory members (Environment Agency, Natural England, CCWater and DWI). Statutory members may also choose to participate in and/or chair networks.

Members said the structure was ambitious; however the company was right to follow this path. They noted that one of the key challenges would be the ability to achieve consistency. Members said that the functionality and coverage would be largely on JD's shoulders

Members said they must avoid going in different directions and will need to work out how to stop this happening; they asked for:

- the company to provide further guidance - to identify common ground;
- a review period (12 months) ; and
- a Risk Log to be maintained.

With these in place (company action), the Forums Terms of Reference and structure were agreed.

Members went on to discuss how the work of company and Forums may not be solely about regulatory matters. They noted that the Forums and their networks could be used as a pool – for example they could have seminar type meetings.

Members noted that the company approach, e.g. SUDs and Abberton, was in the spirit of 'natural capital' (Defra). The Environment network Chair's (Richard Powell's) proposed approach had been fed in to the meeting. This was to extend the company environmental activity, to bring further tangible and practicable benefits. Members agreed this was ambitious, but there was potential to make it into something really meaningful. Members also noted that there was likely to

be significant crossover between Environment and Community networks on this, potentially making connections between people, water and environment.

Members also discussed how the Forums could approach the retail side; CCWater is wrestling with this question. If the Forums were linked to a retail company, then there could potentially be customers all over the country. One feasible way could be that the Forums could be geographically set, i.e. within the current operating areas.

4.3 Social and environmental report (see also paper 4.3)

Previously the Company's Corporate Responsibility Action Groups (CRAGs) reviewed and challenged its social and environmental activity. This was formalised at Periodic Review 2014 where the Company agreed, in its Business Plan, to ask the CRAGs to independently report annually on its environmental performance.

For the period January to December 2015, Richard Powell (Chair of the Essex & Suffolk CRAG) kindly agreed to carry out the review on behalf of the CRAGs. The summary report and a statement was published on the company 'We Live Water' website in March.

HM and JD thanked Richard for his excellent report and his work in developing this 'Statement'.

The company proposed that the independent review of its social and environmental activity is carried out by the Forums alongside their other activities and the resulting report and statement placed within its annual 'Partnership Report'. This proposal was agreed by members. The company will take a process proposal for this to the Environment and Community chairs (company action).

5. Annual Report (see also paper 5.0)

Heidi Mottram (HM) said the way the company was publicly reporting its financial and operational performance was changing. Information about the company performance was to go into the public arena in a more accessible and legitimate way. Although the timing of the transition for the new Forums did not allow for a detailed review and input into this document this year, most Water Forum members met with the company on 22 June to review 2015-16 performance.

HM said the company will share the final version of the Annual Report and will have discussions about performance as part of the ongoing induction process for Forum members.

HM said the company had an industry leading vision. It has had a good year, with improved water quality. Sewer flooding performance is improving. However, there were still challenges, e.g. sewer network and pollutions. She expected the company to be one of the top companies. However, the industry comparison data on performance was not yet available. The company will share this and its relative position in the industry in some detail at the next meeting in October (company action). **Authors note:** The company published its Annual Report on its 'We Live Water' site on 15 July, and provided members with a link.

The members then broke the meeting to take part in an outcomes workshop.

Outcomes workshop

Louise Hunter (LH) introduced the workshop. She said the aim of the workshop was for members to become familiar with 'outcomes' and for members and the company to start to define theme scope and stakeholder strategies.

Outcomes

Jim Strange (JS) led the workshop, first he gave a description of how companies' performance is monitored and regulated, and then introduced the concept of outcomes. For the period 2015-20, he said the company had, in accordance with customers' views, committed to a set of outcomes. Each outcome was supported by measures of success and performance commitments.

Members agreed to monitor company performance against its 2015-20 commitments.

Stakeholder engagement strategy

Earlier (item 4.2) members had agreed their Terms of Reference. They noted this and then reviewed and agreed that the company's current outcomes were assigned to appropriate strategic themes (e.g. Customer, Environment). Members then reviewed their theme scopes. They then considered the strategies they would adopt to build theme networks, by laying out who they might want to engage with and how.

Outcomes development for Periodic Review 2020-25

JS said, for 2020-25 and as part of the company business planning process for PR19, the company will review its outcomes to ensure they continue to be reflective of customer views. The company was planning its programme of customer engagement to inform this and the measures and performance commitments would be based on a much richer body of evidence. This would therefore require analysis of multiple and complex data sources.

JS took members through the company's initial approach to this analysis. Members noted that the data would be complex and agreed the company approach was good. JS said the company would engage with the Forums throughout the process.

Members agreed to advise, challenge and report on the company's 2020-25 engagement and its business plan outcome.

During the workshop members challenged the company on its long-term ambitions. They asked if the company was producing a long term plan (**Challenge**). The company said it had a 25-year plan and it was rolling this forward, it was important that the five-year plan (for Periodic Review 2019 is set in the long-term). It also notes that the previous strict approach to five-year plan was now more relaxed. This was far more sensible as for example, the 25-year Water Resources Management Plans and networks are all long-term investment plans. The company stated that its long-term plan is its main vision (company response).

6. Next steps

The next Forums meeting will be held on 10 October 2016. The company will also be organising engagement and induction events in the interim period.

Following the outcomes workshop, members then broke the meeting to resume in camera. Members held their meeting review in this session. Jim Dixon prepared a summary of this review, this is in APPENDIX 2.