
27 JULY 2018

THE GREAT NORTHERN HOTEL, PETERBOROUGH

MEETING NOTES

PRESENT:

Chair: Jim Dixon
Vice Chair: Melanie Laws

For Customer Council for Water (CCW): Robert Light
For Environment Agency: Melissa Lockwood and John Giles
For Natural England: Hannah Campbell
For the Environment theme: Richard Powell (Independent)
For the Customer theme: Graham Dale and Bhupendra Mistry (CCW)
For the Communities theme: Lesley Crisp (Citizens Advice)

Water Forums Independent Author: Sarah Young

For NWL Board: Paul Rew - Independent Non-executive Director (INeD)

For the Company: Elaine Erskine

Ros Shedden (Water Forum Secretary)

NOTES AND ACTIONS

Members met at 10:00 to deliberate. Paul Rew (PR), Ros Shedden (RS) and Elaine Erskine (EE) were present to assist.

The meeting did not run entirely to plan as the Company ELT, which was due to arrive at 11:00, was prevented from attending because of last minute travel disruption. Members agreed that they were happy to continue and their time would be well spent working on their Report.

1. Welcome and apologies

Jim Dixon (JD), Forums Chair, welcomed everyone to the meeting. He gave a warm welcome to PR, NWL Board INeD and Head of the Audit and Risk Committees, who was attending for the Board.

JD and members congratulated Bhupendra Mistry who had recently been awarded the Non Resident Indian (NRI) of the Year for Philanthropy. This award ceremony was held annually and was India's only distinctive awards for Global Indians. It recognised the outstanding contribution made to those most vulnerable in society, through support of charitable programmes, engineering and leading public awareness campaigns.

2. Pre-meeting

Members had been provided with their Report to Ofwat (v4) and the Company's draft Business Plan (silver book version).

Members noted that their main aim of the day was to work on their Report.

Members first asked PR to describe the Board assurance role for PR19.

PR said in outline, there were a number of different elements to assurance:

- firstly the way the business operated – set by the Company's culture, values, integrity and doing what was right;
- this was supported by Management practice – the Company had strong processes with controls, checks and balances – these reported up the ELT and the Board;
- then there was the Board Assurance programme, using quality assurance processes; the Company Internal Audit department was very active; and
- all of this was pieced together with external assurance on specific areas - eg financial and technical data.

PR said the Company had also brought in a range technical experts (eg PA and various customer engagement experts). Also the Water Forums were part of the assurance, in addition to their customer engagement duties, the Business Plan challenges they had made were really good – they were pushing the Company, bringing the assurance that the plan was both ambitious and deliverable.

Members noted that the PR19 Sub-group of the Board was a working group which has been on top of this assurance as well as the whole content of the plan, what the Company was trying to achieve, and the bills.

JD then asked EE to give them an overview of the Company's acceptability research.

3. Business Plan acceptability research

EE gave a presentation on the Acceptability process and outcome (see presentation). She described the design, pilot testing, and the quantitative and qualitative elements. The engagement had covered household and non-household (wholesale) customers as well as Retailers and NAVs (New Appointment or Variation - former inset appointees).

EE said the engagement included giving customers information on:

- Who the Company was and what it did.
- How customers had shaped its plan.
- How customers' bills would change and how they would be in 2020 – 25.
- Rewards and penalties, and how they would change in 2020 – 25.
- Inflation and other considerations (including Anglian Water's and Thames Water's proposed wastewater bills in Essex & Suffolk supply area).
- What the Company's Plan included – unrivalled customer experience, affordable and inclusive services, leading in innovation, improving the environment, and building stronger economies in its regions.

EE gave preliminary acceptability results; 91% overall – with 93% acceptance in the Northumbrian Water area and 89% acceptance in the Essex & Suffolk area. EE demonstrated that this acceptability was consistent across customers, no matter how the research was cut, by method, segment or whether customers had experienced a service failure.

Members noted that:

- this acceptability (2018) compared to 75% in 2014;
- customers were now more informed than in 2014; and
- this research (2018) was consistent across socioeconomic groups and customers who had experienced failures and those who had not.

Members said they were pleased with the outcome and said this - coupled with the depth, breadth and total number of customers engaged left them in no doubt that customers supported the plan.

4. Section 8 - Financeable Plan

JD said financeability was the responsibility of the Company and its Board. However, members needed to have an understanding of this area of the Business Plan – they had earlier received finance updates (2017) and more recently a presentation on financeability at their 8 June 2018 meeting (item 5 – see paper, presentation and notes). He had been alerted by the Company to a change between the bronze and silver versions of the Business Plan, he asked PR to give members and outline of this change.

PR drew member's attention to the Business Plan Silver Book Section 8. He said there was new content. He reminded them that levers such as run-off rates and pay as you go were set at natural rates and were not loading up debt for the future. There were risks which had been costed and these were largely swings and roundabouts.

Paul said one particular item, the Company wanted to share (p260) was a tax charge (about £50M) which may not be realised. If the HMRC agreed, and this charge did not come through, the Company would like to take the interest (about £5M over five years) and use this to plough into the reducing water poverty fund.

Members noted this fund:

- was not going to be separated from company funds; and
- would not be fast tracked as it would be more wisely spent as the activities developed.

5. Observations on the Business Plan and the Silver Book

- **Overall presentation** - the document was quite technical – however, members noted that the Company was also developing a website version which will be more customer engaging.
- **Customer engagement golden thread** - members said that they knew that the plan is customer centric, but this just did not quite shine out of the document; maybe this could be merely in the formatting – could the Company colour how customers have shaped the plan differently – make it gold as it is the golden thread.
- **Environment** - this was now very close to where the Forums wanted it to be. At previous meetings, the ODIs had been challenged - the Company had reflected and come back with tougher targets - members were really impressed. Also they were satisfied with the new improving the environment programme – with its focus around catchment-based partnerships, and biodiversity. There was one query/challenge on the permit compliance – see below for detail. Also, members asked to see some evidence that customers support penalty/reward for pollution the Company agreed to supply this from its service valuation tool (**Action Company**).
- **Customer** - members acknowledged that there was a section on customer, but because the document was so technical it didn't come over too well - they noted that this document must satisfy Ofwat, so deferred to the Company's view on this.
- **Case studies** - when using case studies, the Company should state the outcome (customer/environment benefit – numbers talk) - winning an award (although excellent) is not an outcome - this point is not just for the business plan.
- **Successful economies** – the text showed a good understanding of business views - but not specifically whether the plan would actually drive more successful businesses – the 60% spend within the operating areas needs to be explained by the barriers that limit the local spend - setting the internal target is not enough – there needs to be more debate with the business community about the delivery of this (**Challenge**).

In addition:

- On **Zero water poverty** - members noted that the Company is currently on the bottom of the league table with regard to take-up of support and has a long way to go. PR described a presentation the Board had seen where the route map to zero poverty had been laid out. Members asked for a paper on this to be made available, and an update on any progress to date (eg effect of the new tariffs) **(Action Company)**.
- On **business relationships** – members noted that the company has great links in business but doesn't have the same structured approach to as it does to its customers.

Performance Commitment query – EA members believed that the agreed performance levels were:

- below 99% was standard penalty and below 97% was enhanced penalty;
- now the Business Plan stated 97-99% was a deadband; and
- EA think it is inappropriate to have a deadband **(Challenge)**.

6. Water Forums Report working session

Members worked in sub-groups with Sarah Young, assisted by EE who provided customer engagement items.

Following the meeting, members broke the meeting to resume in camera. Members held their meeting review in this session. JD prepared a summary of this review, this is in Appendix.