

TUESDAY 20 APRIL 2021

MEETING AND WORKSHOP HELD VIRTUALLY VIA MICROSOFT TEAMS

MEETING NOTES

PRESENT:

Chair and Independent Member: Melanie Laws

For CCW: Graham Dale

For Environment Agency: Melissa Lockwood

For Natural England: Hannah Martin

For the Environment theme: Richard Powell (Vice Chair and Independent Member)

For the Communities theme: Mary Coyle (Independent)

For the Customer theme: Simon Roberson (Independent)

For Economic Impact theme: Sarah Glendinning (CBI), Steve Grebby (CCW) and Iain Dunnett (New Anglia LEP)

For National Farmers Union: James Copeland (Vice Chair)

Water Forum Independent Author: Sarah Young

For the Company: Heidi Mottram, Andrew Beaver, Louise Hunter, Jim Strange, Ross Smith and Elaine Erskine

Jill Slater and Jude Huffee (Water Forum Secretariat)

NOTES AND ACTIONS

1. Welcome, apologies and aims of the meeting

Melanie Laws (MJL) welcomed Members to the meeting and welcomed Simon Roberson (SR) as a newly appointed Independent Member since he stepped down from his role with CCW.

Apologies had also been received from Roger Martin (Environment Agency), Anna Martin-Edwards (Groundwork East), and John Torlesse (Natural England).

2. Notes and actions from the last meeting

Members agreed the minutes represented a correct reflection of the meeting and there were no matters arising.

3. Members' deliberation

MJL raised concerns that one Member had scored very low for the 25 February meeting survey, and encouraged Members to contact her with any feedback if there were any issues. Members wondered if it had been an input error.

Members had been supplied with the following meeting papers:

- Competition and Markets Authority Final Decision on PR19
- CEO update
- Regulation update
- Customer Engagement and Participation update

Members deliberated on the papers they had received and prepared for discussion with the Company.

Members planned to raise three points with the Company from the Competition and Markets Authority Final Decision on PR19 paper with respect to what was next regarding Sewer Flooding, the impact of bill increases on customers, and the Board's view on the outcome of the CMA decision.

MJL informed the Forum that Jim Strange (JS) and Anthony Browne (AB) had briefed her and the Vice Chairs on technical issues that had arisen on the ODI on greenhouse gases. MJL had asked the Company to provide a paper setting out the details in order for Members to review and decide if it was appropriate for the Forum to comment.

4. The Company joined the meeting

MJL welcomed the Company to the meeting.

Members noted aspects of the CEO update on water resources, leakage, sewer flooding and environmental performance. They then considered the possible impact of a recent Panorama television programme on the national Storm Overflows (SOs) issue. If the CEO paper was presented to customers who had seen the Panorama programme, how would they bring the two together and would this impact on their levels of trust? More broadly, how did customers react to messages from other sources compared to the messaging from the Company, and how did the Company continue to make sure customers would get a rounded view, bearing in mind the outcome of the CMA and what the Company was being asked to deliver?

Heidi Mottram (HM) said public opinion on the water industry in general and Northumbrian Water (NW) and Essex & Suffolk Water (ESW) in particular seemed to operate on two levels. When a programme like Panorama broadcasted, or something happened more generally, there would be a national feeling around water companies and questions over if they were doing the right thing. However, not all water companies were the same and opinions on NW and ESW seemed to operate quite independently and even after problematic programmes it would not be unusual for their trust scores to remain high. The mainstream media could be very tough, and the Company had spent a lot of time working with Water UK on how to manage its, and the industry's reputation. Members noted that water industry Communications Directors met on a weekly basis and were open about the individual issues they were facing, and they tried to help each other. Members also noted that NWL was not part of the Panorama television programme.

HM said one of the biggest current issues was the changing public view of SOs and, on 16 April 2021, she had been in discussions with Sir James Bevan on how to work together. This was complex as the costs of engineering CSOs out of sewer systems would be huge, about £16 billion across the industry – there needed to be a 'grownup' debate on this.

HM said the Company was disappointed that the sewer issues caused by wipes were not covered in the programme as this was also a huge problem, which caused 70 to 80 percent of sewer issues faced by the industry. Steve Grebby (SG) said that it was important that the industry as a whole tackled the issue of wipes and there were many groups interested in working in partnership. It would be good if NWL could take the lead and make this happen. The Company agreed it needed tackling and, following the leading position they took on the water efficiency campaign (Water's Worth Saving), they would continue to look at how they could pull the industry behind this in a similar way. The Company also said there was a lot of information sharing on this area and in particular the Company was sharing its Bin the Wipe results. (ACTION: Company).

With regard to customer engagement and triangulation note in the Customer Engagement and Participation update, Members said they were keen to work with the Company to help it develop a robust ongoing triangulation process. The Company said that once the CCW and Ofwat papers were issued it would bring triangulation to the Forum to work on it together. (ACTION: Company).

5. Competition and Markets Authority Final Decision on PR19

Members thanked HM for her early letter and also JS for his paper, which was taken as read.

Members noted:

- They needed to understand what would happen next on Sewer Flooding, ie between April 2021 and the next Price Review period.
- Customers would see their bills increase – how would the Company communicate that, and where on the bill would it be made clear that there was support available for customers? This was particularly relevant in the COVID situation where there was a great deal of pressure on household bills.
- They were interested in what the Board's view was of the CMA process and where the Company was currently positioned – had it been worth it and what had been the key learning points.

Company advised:

- A review was taking place on the impact to the Company and customers and it needed time to see how the settlement would roll out.
- It had found the process to be fair, logical and rational, but took a lot longer than expected.
- Subjects had been given a fair and thorough review and it had been the right thing to do, although the Company was disappointed with the sewer flooding outcome.
- A serious discussion was needed in the country about investment in infrastructure, specifically water and wastewater infrastructure.
- It was important not to oversimplify – one reason why four companies went to appeal is that Ofwat set out a determination that many felt the industry was never going to be able to deliver and that would also damage financeability. Overall the CMA has largely agreed with that.
- The package remained extremely tough and whether or not this had been a success would be borne out over the next couple of years.
- Ofwat may have felt that their determination was reasonable but the Company hoped that Ofwat would be open to some changes in future price reviews.
- In general, any package needed to be deliverable and financeable and as an industry AMP7 (2021 – 25) would be a real struggle.

Members noted that Ofwat had not funded all of the resilience requests because it judged that they had not been evidenced sufficiently. Members asked whether the process that the Company had gone through had helped it to understand the evidence that Ofwat needed to allow funding for those types of schemes.

The Company said there were things it could have done better. In general, however, Ofwat's focus was on affordability and efficiencies, looking for short term bill reduction. It would be good if there was a shift in Ofwat's thinking for PR24.

On sewer flooding the opportunity going forward was with the Drainage and Wastewater Management Plans (DWMP) process. Members asked if the Company could keep the Forum in touch with sewer flooding actions and activities and the DWMP. (ACTION: Company).

Members said they would like to take the opportunity to engage with Ofwat before the Company started the PR24 process. They felt that Ofwat had not agreed with the arguments around resilience and it was important to try to get some common ground on how this would be assessed going into the next price review.

Members said they would request that Ofwat to attend some future Forum meetings during PR24 once plans for PR24 were published. (ACTION: Forum).

The Company explained that there would be a CEO meeting with David Black, Ofwat interim Chief Executive, in the next few weeks, and some PR24 consultation documents had started to come out. HM and the Company Chairman also had a meeting planned with David Black and Jonson Cox, Chair of Ofwat. The Company wanted a positive relationship with the Regulator. Also for PR24, Ofwat must be challenged to listen properly to the voice of the customer, this was an area where the Company would especially value the Forum's support.

Members felt resilience and infrastructure was a bigger issue than just the water industry. The Forum encouraged the Company to have wider conversations around resilience, infrastructure and investment for the future within the industry, with the Regulator and wider. As an infrastructure company it was important that the Company takes a lead in creating and taking part in this national strategic debate. (ACTION: Company).

On customer engagement, James Copeland (JC) gave an example of the Environment Agency's Citizens Jury for the Ouseburn as a piece of work dealing with a complex area in which many policy issues and organisations were involved. The feeling from customers was that they wanted one organisation to take the lead and they saw that being NWL. Members noted that this type of customer engagement would help the Forum develop its future focus.

The Company said that conversations on customer engagement were taking place looking at key priority areas, and how to implement this for PR24. While the Company's PR19 customer engagement was successful it did not provide enough technical evidence for the Regulator. The Company needed to look at how it could strengthen its evidence base, and had recognised that it was equally important to provide engineering and technical based evidence, alongside customer views. The Ouseburn Citizens Jury was a good example of how this could be done, and while the Company could co-ordinate this, it was essential to work with partners who could give support with technical information.

Members said they would like to be kept informed and engaged in the development of the customer engagement process. (ACTION: Company).

Members were concerned that customers, especially in the ESW areas could be seeing a 5% per annum increase on their bills, and asked how the Company would communicate in order for customers to understand what had happened. Members noted that customers tended to only look at the first page of their bill and it would be good to clearly indicate here the customer support available.

The Forum challenged the Company to make sure customer bills show appropriately what support is available. (CHALLENGE: Company).

The Company responded by acknowledging both points and said it would revisit its messaging, which would be tested and co-created with the customer panel. Currently the Company was looking at its digital offering and gamification to provide customers with additional information. The Company agreed to provide further information at a future meeting. (ACTION: Company).

MJL thanked the Company for joining and the Company left the meeting.

6. PR19 review and PR24 plans

Water Forum Review

PR19 review

Members noted:

- Following the January 2019 review the Nominations and Review Committee (NRC) had been tasked to take the actions from this forward and had developed a programme of work to refresh and reform the Forum.

- Most issues in that review had been taken forward and resulted in the way the Forum was now working.
- One area the Forum still needed to consider for PR24 was how it maintained scrutiny on the Company's existing plans and the delivery which was to be done through its Sub-Groups.
- On financial matters when consultants presented technical material to Members on penalties and rewards, they were not confident they had sufficient understanding to fulfil their role. Therefore, consideration was needed on this area, eg on planning to engage on it earlier and whether an expert in this field was needed to support the Forum so that it could offer more advice and challenge.
- The Company PR19 governance process had been really good, Members had been able to monitor progress on the dashboard.

PR24 plan

Members noted:

- The NRC was currently developing new Terms of Reference and would issue a draft to Members for review once Ofwat PR24 expectations for CCGs had been published and could be included. Ofwat's consultation paper was expected to be published in May 2021.
- Members needed a better forward view of the engagement process and how the Company would utilise the different elements of information it collected to inform its business plan.
- It was essential that the Forum had access to the Company's PR24 schedule in order to start planning a programme of activity for PR24. The Forum plan would need key milestones in a programme detailing how Forum planned to work from the outset.
- A process was also needed on how the Forum was going to monitor that plan and who was going to be involved. The assumption was that Sub-Groups would play an important role.
- Members needed to be clear from the outset what the Forum would and would not be doing.
- Members wholeheartedly supported the need for the excellent skills of their Author, Sarah Young (SY), for PR24 reporting.

7. Future Forum Discussion

Nominations and Review Committee

Members noted:

- The Nominations Committee was set up and operated all the way through PR19. At the end of that process it was recognised that the Committee needed to do more and was renamed the Nominations and Review Committee (NRC).
- Membership of that Committee had changed with Mary Coyle (MC) now the Chair, with Lesley Crisp (LC) and Graham Dale (GD) as Members.
- First meeting of the newly formed group was held in February 2021.
- The NRC decided to conduct a survey of Members and repeated what had been done around 18 months earlier.
- The review of the work of the Forum Chair and Vice-Chairs had been discussed at the NRC and fed back to MJL; a review with Richard Powell (RP) had taken place and a review with JC was due to take place soon.
- Regarding the overall effectiveness of the Forum, the scores were good and the only area of concern was around papers provided by the Company – Members were encouraged to feedback to MC or MJL so that the Company can be made aware of any issues. (ACTION: Forum Members).
- The NRC intended to refine the method of reviewing the work of the Chair and the Vice-Chair, and also review how the survey was conducted.
- Regarding membership, the NRC noted that Ofwat had not yet set out the role of CCGs for PR24. Members noted some work was needed on membership but agreed it was too early to recruit until that happened.

- Regarding membership diversity, Members agreed that this needed tackling head-on in the membership review. (ACTION: MC).
- Regarding the value of the Forum outside of the CCG role, Members thought it would be good to understand what the Company values from the Forum.
- Measures of Success would be reviewed once Ofwat had issued its requirements. One area to be reviewed was communications, previous Measures of Success included a measure around social media and a discussion on this was needed.

Challenge Logs

Members noted:

- Author, SY and Ros Shedden had been working on refining the Challenge Log process, including providing a clear definition of a challenge.
- The Challenge Log had been reviewed – this included how challenges were recorded, captured and tracked with a view to move to using Microsoft Teams Lists which made everything accessible to everyone.

Members supported the Challenge Log proposals and agreed that it was important for the Forum to have a process to hold the Company accountable and ensure challenges were followed up, so that at the end of the Periodic Review process there would be a full set of evidence.

Sub-Groups

Members noted:

- A review of Sub-Groups had been carried out, aimed to make sure the model would work for the Forum and Company.
- Some gaps were identified and resolved, notably affordability which was brought into the Inclusivity Sub-Group, and Wastewater Operations, which was brought into the Environment Sub-Group.
- Members thought the challenge would be to avoid duplication. For PR24 they would need to develop a good understanding of which topics fall to each Sub-Group and how Sub-Groups work on topics together, and how they would engage with the Forum. This needed to be facilitated by a programme of activity linked to the PR24 process. (ACTION: Forum Chair, Vice Chairs, Sub-Group leads and Company).
- In order to maintain control, all actions/challenges will be assigned to a specific Sub-Group to make sure all are dealt with appropriately, even those made by the full Forum.

Members supported the Sub-Group proposals.

The meeting concluded and Members then resumed in camera where their meeting review took place – a summary of this review is in Appendix 1.