
NORTHUMBRIAN AND ESSEX & SUFFOLK WATER FORUMS

TERMS OF REFERENCE – V1.1

FOREWORD BY CHAIR OF WATER FORUMS

Northumbrian Water Group is a high performing water company and so has a sophisticated and comprehensive set of stakeholder relationships at all levels and across all of its business. Meeting the needs of customers, achieving good economic and social outcomes and having a positive environmental footprint are core to the business. Where does an independent forum sit as part of this complex array of stakeholder relationships? There are three answers to this question.

Firstly, even the best performing organisations benefit from structured, informed and moderated challenge. This helps the company stay resilient, accountable and focused on the needs of its customers. By selecting an independent Chair, appointing expert topic chairs and creating effective forum meetings of diverse stakeholders the best possible environment for challenge is fostered.

Secondly, Northumbrian Water Group is committing its resources in the form of research, data and analysis and access to non-executive and executive directors to air the organisation's assumptions, analysis, strategy and performance in an open way where constructive challenge can be applied.

Thirdly, the Water Forums will be seeking as wide a representation of perspectives and organisations as possible in its work. It will do this by drawing on the statutory expertise in OFWAT, CCWater, the Environment Agency, Natural England and DWI, as well as from local authorities, community and third sector groups and business.

The work of the Water Forums is potentially complex, reflecting a geography that is diverse and encompasses some fast-changing places, towns, cities and rural areas with high disadvantage and areas with both the highest and lowest potential for rainfall and water supply. Gathering together a network of individuals and organisations capable of understanding, engaging and constructively challenging is a good way to reflect the diversity of issues, communities and geography.

The terms of reference cover:

- role of the Water Forums
- structure and membership; and
- governance

ROLE OF THE WATER FORUMS

The Forums will have broad self-driven agendas. However, two important standing items will be customer engagement and affordability arrangements. There will also be a carefully focused regulatory agenda.

Customer engagement

The Company Customer Research and Engagement Strategy is centred around the Forums challenge and advice. At every stage of work the Company will review its progress with the Forums and then work together with the Forums as it interprets the findings.

Affordability

With regards to affordability, the Company will engage with the Forums on its affordability activities as it continuously improves its processes. The Forums will challenge the Company on the quality of its customer engagement on affordability, and the extent to which the outcomes of this engagement drive decision making and are reflected in affordability arrangements.

Regulatory

The Forums are referred to by Ofwat as Customer Challenge Groups (CCGs). Their regulatory role is to provide independent scrutiny, challenge and assurance on behalf of customers and, in some specific areas, to report to Ofwat. The Forums will focus on two regulatory areas, outcome delivery and incentives, and Periodic Review.

With regards to outcome delivery, the Company will present its Annual Performance Report to the Forums members in June/July each year. The Company's aim will be to demonstrate that it has clearly and robustly identified its performance against its commitments and has derived any incentives in accordance with its Periodic Review Final Determination. It will also engage with the Forums on its Assurance Plan in October each year. The Forums will report their activities and views within the Company annual reporting processes.

For the Periodic Review, Ofwat has set CCG scope in its 'Customer engagement policy statement'¹. The role of the CCGs at Periodic Review 2019 (PR19) will be to provide independent challenge to companies and independent assurance to the Company on:

- 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.

The document lays down Ofwat's overarching principles of customer engagement, the roles and responsibilities of companies, CCGs and itself.

The Forums will provide Ofwat with a Periodic Review assurance report – Ofwat has provided a scope for this in its Aide Memoire for Customer Challenge Groups.²

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

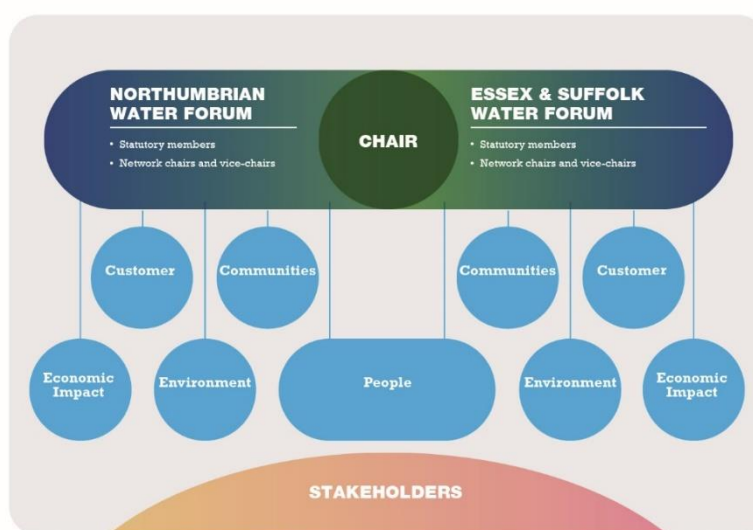
² Ofwat's Aide memoire for customer Challenge Groups (21 March 2018)

STRUCTURE AND MEMBERSHIP

The Forum structure will enable the Company to continuously engage with a broad range of members and increase its potential to engage with customers who are considered to be deprived and 'hard to reach'.

Structure

The Forums comprise of separate Northumbrian and Essex & Suffolk Forums, each with standing networks which are aligned to Company themes and outcomes. The structure is described in the diagram below.



Members and the Company will be able to use the networks inventively and flexibly. Members plan to 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. Ideally the engagement plans will work with existing organisations and their networks and events to maximise the breadth and depth of people involved. This process will be facilitated by the company's business as usual Corporate Affairs activity.

Membership

The company will not to identify the target stakeholders at the outset of this process. It believes more value will be gained by empowering members. We describe how networks will be formed and managed below.

Network formation and management

To form the networks the Chair will start with appointment of expert members and then ask them which individuals and organisations they think should be in their networks (their dream team) and how they think they can reach their stakeholders.

Each network would then potentially have a different style. A style appropriate to the audience the Forums and the company are trying to reach. For example, this could be

through regular meetings, workshops as well as the networks there could also be flexible task and finish groups for specific initiatives or issues.

The Forums' membership therefore be made up from the network leads, and statutory members (Environment Agency, Natural England, CCWater and DWI). Statutory members may also choose to participate in network activities.

Meetings

The Forums will hold combined (Northumbrian Water and Essex & Suffolk) meetings and area Water Forum meetings as appropriate. Network leads will be expected to participate in network activities on behalf of the Forums.

Members will attend these meetings and activities or consider other ways of engaging with the Forums if they are regularly unable to attend meetings.

The Company will provide a Management Team contact for each network; the scope for this role is:

- provide advice, direction and Management Team link to Forum and sub-group chairs;
- work with the Forum Chair and sub-group chair to set the scope;
- agree a company expert to assist the sub-group and attend meetings;
- remain up to date with plans and activities to support a no surprises culture; and
- to attend joint and area Forums meetings when appropriate.

GOVERNANCE

The Company and the members will maintain good governance to ensure that the Forums are independent, expert and strong. Transparency will be maintained.

Chair

The Water Forums will be chaired by one independent Chair. The Chair will have a clear and regular access to the Company's Board and will collaborate effectively with other CCG Chairs, especially those in regions local to Northumbrian and Essex & Suffolk regions to share lessons and information.

The Chair appointment will be carried out in a transparent manner and be overseen by the Forums Nominations Committee – see separate document for terms of reference³.

The Chair will have a clear and regular access to the Company's Board.

Transparency

The Forums will publish all material information on the Company website, for example, governance documents (Terms of Reference), Chair recruitment information (advert, remuneration), members' profiles, and meeting documents (agendas, papers, notes, challenge log).

³ Water Forum Nominations Committee Terms of Reference

Secretariat

The Company will provide secretariat and administrative support and will provide meeting agenda, materials and records in a timely manner. The Company will also provide and manage a dedicated area on its website.

Induction

Water Forum members will develop their industry knowledge. The Company and the Forums will work together to understand the issues which face the regions.

Water Forum members will be empowered by information from both Ofwat and the Company. There will be a core level of industry knowledge required and, in addition to this, some members will agree to specialise in key areas (e.g. customer engagement, affordability).

The Company will develop and manage a bespoke induction programme. It will focus on the needs of individual independent members, expert working groups and the Forums as a whole.

Independence

Members will demonstrate independence and ability to operate independently of the water company.

Conflicts of interest

Act with the best interest of water and sewerage customers and will manage conflicts of interest effectively – registering, declaring and resolving conflicts of interest.

Confidentiality

Members will respect confidentiality – understanding what confidentiality means in practice for the Forums, the company and the individuals involved with it.

Remuneration

The Company will appoint and remunerate the Chair for the Forums. The Company will also remunerate some other Water Forum members or their charities. For remuneration information see the Water Forums member remuneration and expenses document⁴. Remuneration rates will be reviewed annually by the Company.

Review

These Terms of Reference will be reviewed in December 2018 and will be kept under regular review.

⁴ Water Forums members remuneration and expenses