
14 JUNE 2019

THE GREAT NORTHERN HOTEL, PETERBOROUGH

MEETING NOTES

PRESENT:

Chair: Jim Dixon

Vice Chair: Melanie Laws

For Customer Council for Water (CCW): Bernard Crump

For Environment Agency: John Giles

For Natural England: Hannah Campbell and John Torlesse

For the Environment theme: Richard Powell (Independent)

For the Communities theme: Mary Coyle (Independent)

For the Customer theme: Graham Dale (CCW)

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

For National Farmers Union: James Copeland

Water Forums Independent Author: Sarah Young

For NWL Board: Margaret Fay (Independent Non-executive Director)

For the Company: Heidi Mottram, Ceri Jones, Claire Sharp, Eliane Algaard, Louise Hunter, Richard Warneford, Elaine Erskine, Jim Strange and Sarah Pinkerton.

Ros Shedden and Jude Huffee (Water Forum Secretariat)

NOTES AND ACTIONS

1. Welcome and apologies

Jim Dixon (JD) welcomed members to the meeting.

JD said the aims of the meeting were to receive and review updates on the Company's Annual Performance Report and Our Contribution report. Then they would work with their Author to prepare their position statements.

Members noted that they had no interests to declare.

Apologies had been received from Anna Martin, Bhupendra Mistry, Caroline Taylor, Jo Curry, Lesley Crisp, Mark Reed, Robert Light and Stephen Rothera.

2. Notes and actions from the last meeting

Members agreed the notes from the 19 March 2019 meeting.

3. Pre-meeting

Members had been supplied with the following meeting papers:

- Our Contribution 2018/19 paper and draft report (Agenda Item 4).
- Annual Performance Report (APR) 2018/19 paper and draft report (Agenda Item 5).

- Nominations Committee paper (Agenda Item 7).
- CEO update (Paper A).
- Regulatory update (Paper B).
- Customer engagement and participation update (Paper C).

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

4. Discussions with the Company

JD welcomed Company members and congratulated them on the upcoming 4* Environmental Performance Assessment (EPA) announcement by the Environment Agency (EA). John Giles (JG) noted the good work the Company had done and was continuing to do, and said that the score was well deserved.

Business Plan

The Company gave an update on the status of the Business Plan process. It confirmed that its response to Ofwat's Initial Assessment of Plan (IAP) had included a significant amount of additional information; it was now waiting for Ofwat's Draft Determination (DD) which was due on 18 July 2019. The Company noted that there had generally been less contact from Ofwat than during PR14, and its queries had been mainly on a technical level.

Members noted:

- with regard to customer engagement – Ofwat had barely mentioned customer support. The Company said no further customer engagement was planned at this stage and they would wait to see if any was required after receipt of its DD;
- with regard to enhancement plans - the Company had met with Ofwat on 5 June 2019; it had stressed their importance, and the good level of customer support; Ofwat had appeared to be in listening mode;
- on cost assessments – the Company had found some errors in its base costs these had now been rectified;
- with regard to its waste water resilience resubmission – this was to be submitted to Ofwat on 1 July 2019; the Company did not expect to have anything back until Final Determination (FD); it would be disappointed in the FD if its resilience projects were not accepted;
- with regard to overall IAPs' SuDS - Ofwat had not been positive; EA had been supportive and the Company felt that conversations needed to be had with the EA and Ofwat to state the case for SuDS and partnership working; and
- with regards to dividends and executive pay issues the Company did not feel that there was anything that would attract criticism; it had decided that the short-term incentive should be 50% weighted on customer measures; on long-term it should follow RORE (return on regulated equity); the Company agreed to cover this in its annual review of its 'Our finances explained' (**Action Company**).

Water resources

The Company updated members on its water resources status, members noted:

- resources were secure however operators were working hard to move water around;
- at a recent National Drought Group call, the Company had advised that it was ok, other companies reported that they might have to apply for drought orders;
- recent increased rainfall would not immediately help groundwater supplies; the Company would need to see a few weeks' worth of steady rain before levels would improve; and
- the Rivers Trusts had complained that water companies needed to do more to tell people to use water wisely; the Company already had proactively issued customer messaging.

5. Annual Performance Report

Members had been supplied with a performance paper and draft copy of the Annual Performance Report (APR) prior to the meeting.

Members said the APR document needed to be more transparent and the narrative needed to tell the story of the AMP, and not just the reporting year; they noted:

- with regards to the Company's new billing system – members challenged the CEO introduction which positively described the implementation of a new billing system, in reality it had caused a significant rise in complaints which were only now (June 2019) starting to show an improvement (**Forums Challenge**). The Company agreed that the new system had taken longer to embed than expected, but had gone smoother than some other companies; it agreed the statement in the report needed to be more balanced (**Company response**);
- with regards to interruptions to supply - results were disappointing; the Company needed to be clearer with its explanation on its performance and what it was doing to improve it, especially when it had set high targets in AMP7 (**Forums Challenge**); The Company said 2018/19 was a blip seen across the industry caused by prolonged extreme weather; current performance figures showed the Company was back on track (**Company response**);
- with regard to taste and smell - the Company was second in the industry and had recognised that there was a need to educate customers when it was moving water around the network which could impact on the taste and smell;
- with regard to overall drinking water compliance - scoring was moving the Compliance Risk Index (CRI) and currently showed the Company in a good position at 2.5 against an industry average 3.8;
- with regard to the Company's EPA scoring of 4* (an increase from 2* for 2017) - members recognised and praised the hard work done by the Company; and
- with regard to Public and Transferred drains and sewers - the measures set in PR14 had separate performance commitments (PCs) set against them; in AMP 7 they would be merged; members advised that commentary should tell that story and the Company needed to make sure it did not blame customers for blockage issues.

6. Our Contribution – Northumbrian Water Group's environment, social and economic report

Members had been supplied with an Our Contribution paper and draft copy of the publication prior to the meeting.

Sarah Pinkerton (SP) gave the context of Our Contribution. This was the third version of this report following the Company's decision to start formal capitals reporting. Our Contribution formed part of the Company's formal reporting.

Members challenged - noting:

- the publication required more work and its content overlapped with the APR;
- there was confusion over the meaning of 'Five Capitals' which needed to be better explained; and
- the purpose of the report was not clear – members asked the Company to define this.

The Company responded – noting:

- it needed to be clearer on who the intended audience was and how to signpost to APR and Financial Statements; and
- it would show how each of the capitals linked to its business activities, show the capitals journey, and be very explicit about where its focus had been.

Members praised the Company for its use of case studies as they showed real improvements. Members noted that the Company was leading in water poverty and partnership working, and this needs to come out clearer and stronger in its report; it was not saying enough to showcase where it was leading.

The Company confirmed it would be carrying out a full review of its reporting in September 2019.

Following lunch members worked on their APR and Our Contribution statements – see documents [here](#); following this session the meeting broke and members then resumed in camera where their meeting review took place – a summary of this review, this is in Appendix 1.

CHALLENGES ADDED TO CHALLENGE LOG
<p>With regards to the Company’s new billing system – members challenged the CEO introduction which positively described the implementation of a new billing system, in reality it had caused a significant rise in complaints which were only now (June 2019) starting to show an improvement (Forums Challenge). The Company agreed that the new system had taken longer to embed than expected, but had gone smoother than some other companies; it agreed the statement in the report needed to be more balanced (Company response).</p> <p>Outcome The Company accepted the challenge and amended the text.</p>
<p>With regards to interruptions to supply - results were disappointing; the Company needed to be clearer with its explanation on its performance and what it was doing to improve it, especially when it had set high targets in AMP7 (Forums Challenge); The Company said 2018/19 was a blip seen across the industry caused by prolonged extreme weather; current figures showed the Company was back on track (Company response).</p> <p>Outcome The Company accepted the challenge and amended the text.</p>
<p>Members challenged - noting:</p> <ul style="list-style-type: none"> • the publication required more work and its content overlapped with the APR; • there was confusion over the meaning of ‘Five Capitals’ which needed to be better explained; and • the purpose of the report was not clear – members asked the Company to define this. <p>The Company responded – noting</p> <ul style="list-style-type: none"> • it needed to be clearer on who the intended audience was and how to signpost to APR and Financial Statements; and • it would to show how the each of the capitals linked to its business activities, show the capitals journey, and be very explicit about where its focus had been. <p>Members praised the Company for its use of case studies as they showed real improvements. Members noted that the Company was leading in water poverty and partnership working, and this needs to come out clearer and stronger in its report; it was not saying enough to showcase where it was leading.</p> <p>Outcome The Company accepted the challenge and amended the text. Updated version was sent to members prior to publishing.</p>