

Minutes of Meeting 14 – 9th August 2018

Attendees

Peaches Golding OBE	BWCP Chair	Iain McGuffog	Bristol Water (BW)
Tony Denham	BWCP Deputy Chair	Chloe Donnelly	Bristol Water
Jeremy Hawkins	Report Writer	Sue Clarke	Bristol Water
		Tim Tutton	INED
Michael Barnes	Consumer Council for Water (CCW)	Lucy Farrow (part)	Traverse
Cllr Robert Cleland	North Somerset DC (NSC)	Robin Poole (part)	Bristol Water
Stephen Russell (by phone)	Environment Agency (EA)	Ed Barnes (part)	Bristol Water

Apologies

Dr Mark Taylor	Natural England (NE)	Jeremy Bailey	Environment Agency (EA)
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Minutes

1. In camera session before main meeting	
Minutes are confidential and not published.	
2. Chair update	
<p>The Chair welcomed Tim Tutton to the meeting and said it was very good to have someone from the Board present to hear the discussions.</p> <p>The Chair reported that we have just published our Annual Report for 2017/18.</p> <p>She stated that the Panel’s Challenge Log is very important to its work on PR19. 25% of challenges have resulted in changes to BW’s policies, strategies and business plan.</p>	

3. Minutes, actions and challenge log	
<p>The Deputy Chair reported that out of 635 challenges raised in total only 16 remain outstanding, six with BW and ten associated with environmental issues. One associated with assurance of PR19 should be covered today.</p> <p>He also said that Ofwat want CCGs to be clear where individual PCs are not supported by customers. The Panel notes that the BW business plan reflects its suggested route but at lower cost. Overall customers accept this route and the Panel appreciates some PCs are interrelated. BW said that it has tested acceptability on most of its PCs. The Chair said the Panel needs clarity on this point. BW said its narrative to be made available early next week will make this clear.</p> <p>On AIM, the Deputy Chair said the Panel will leave as outstanding the issue of whether customers should be paying for this when it's outside BW's area. It would hope that Ofwat will determine whether it should be funded.</p> <p>On the waste disposal PC dead-band challenge, the Panel will explain the issue of EA non-acceptance of this in its report, that it understands BW's position and it will pass it to Ofwat to sort out.</p> <p>The remaining seven challenge concern the Biodiversity Index (BI), particularly the degree of stretch and ambition in the targets. The Panel will report that an annual review of BI performance should be undertaken by an independent organisation overseen by Natural England and that the Panel should be involved in the discussions. BW said it would be happy with such a monitoring arrangement.</p> <p>The Deputy Chair reported that only five meeting actions remain outstanding. Some will remain outstanding after submission of the plan.</p> <p>The Deputy Chair noted that performance penalties are building up in the current period and asked if they would be accounted for at the beginning of AMP7 or spread out to 2025. BW said they are to be spread evenly over the five years. The Deputy Chair asked what independent checks there will be on this reconciliation and by whom and whether there had been any customer consultation. BW replied that Ofwat has received an early submission of the PR14 reconciliation calculations and that customers have been consulted indirectly on them through the research on overall AMP7 bill profiles. The PR14 reconciliation has to be reported on by companies in the business plan.</p> <p>It was noted that that the action relating to Atkins' assurance report on 2017/18 performance information report had been resolved. The audit finding remained at amber.</p>	

4. Acceptability testing results	
<p>BW presented a series of slides summarising the results of the recent final business plan acceptability testing by ICS, Accent, Traverse and at the Customer Forum. The acceptability of the final plan is high and BW said the results obtained follow the patterns of previous research.</p> <p>The level of unacceptability is very low at around 5% and broadly the same across the research activities. The Deputy Chair asked what BW’s plans are for this group during AMP7. BW said that this minority will always have an unacceptable view but that it is hoped its new segmentation work and better data processes will aid access to and the understanding of this group.</p> <p>The Chair would like would to see the parameters for the community investment PC as they are developed post submission. This is a large piece of work which will have to come to the Panel for its understanding and monitoring.</p> <p>Th Deputy Chair referred to the social renters who felt unable to support the preferred plan and enquired what BW will be doing for this group. BW replied its affordability strategy will increase the number of customers on social tariffs and introduce more flexible payment plans. It remains open minded on this group but will start thinking about how to use its segmentation information more effectively. The Chair stressed the importance of the learning gained from communicating with customers more effectively and getting the message across on issues such as social tariffs and behavioural change on water efficiency and improving service. Communicating using different terminology for different customer segments will be needed to achieve sustained behavioural change.</p> <p>The Deputy Chair said it’s clear that BW’s A&V strategies will be much improved but that the work doesn’t stop once the plan goes in. If it does then BW will lose much continuity and trust. This message needs to be fed back to employees as well. The Chair added she would like to see the interrelationship between the various pieces of research in a similar way to the customer communication strategy mentioned earlier. BW replied this is a piece a work that needs to be done. Extra resource has already been recruited into the customer care team. There is also the Resource West initiative (communications with other stakeholders). The narrative on these aspects is in Sections A1 and C1 of the business plan.</p> <p>Finally, the Deputy Chair asked if BW has any intention of doing more acceptability testing before the plan is submitted or whether there is likely to be any change in the Board’s acceptance of the plan. BW said not but that its final paper to the Board comes out next Monday.</p>	

<p>5. Affordability update and water poverty target</p>	
<p>BW presented slides updating the Panel on its affordability strategy and its water poverty PC target.</p> <p>The Chair noted the company’s definition of water poverty is based upon data it can access and that this needs to be made clear in the business plan. Also that the definition should be clear on what is excluded as well as included in the measure. BW said these points are made fully clear. The Chair said the Panel will also make these points in its report.</p> <p>The Deputy Chair asked if the affordability ODI is just reputational. BW confirmed this.</p>	
<p>6. Value for money target update</p>	
<p>BW presented slides updating the Panel on its value for money PC and target.</p> <p>It noted the PC definition has changed since submission to Ofwat in May. It now uses the annual perception survey as a data source, similar to the measure used by CCWater. This will make performance more robust and more comparable.</p> <p>The Deputy Chair asked if the value for money ODI is just reputational. BW confirmed this.</p>	
<p>7. Narrative progress overview</p>	
<p>BW outlined the structure of its Business Plan.</p> <p>It noted that its strategic priorities now include keeping top quality water flowing to your tap.</p> <p>The Deputy Chair said he is happy with the overall plan but a big issue is the implementation of it and does this need to be described in the plan, particularly the required changes to the business? He noted that deliverability is not part of the Panel’s terms of reference. BW replied that section A1 describes the business transformation planned over the next two years and that its Board has been through and agreed this in order to sign off the plan.</p> <p>The Chair asked if the transformation is both short and long term. BW confirmed it will be both and referred to its new management, new Board and full support from ICON, its new shareholder. A new model with more in-house rather than out-sourced delivery is planned. The Chair said the Panel will refer to this in its report.</p> <p>The Chair asked the Board member if the PC targets were considered to be stretching. The Board said it is very much so and also noted that some targets are defined by Ofwat through the upper quartile methodology. The Board is confident seeing that operational</p>	

<p>performance has improved due to piloting some of the new delivery ideas and that this can be transferred more widely across the business. The current model doesn't work due to poor alignment of incentive across the business and contractors.</p> <p>EA noted that BW's commitment to the environment hasn't been brought alive in the draft Executive Summary provided at the meeting. BW confirmed that its references to WINEP and WISER appear to be missing from the version provided. It will address this.</p>	
8. Assurance	
<p>Through presenting a series of slides BW reminded the Panel of its PR19 assurance regime including the provision of assurance statements by third parties and the Board.</p> <p>PwC have been working with the business and the Board over 22 months bringing forward evidence to achieve effective decision making for the business plan. This has come together in the last four months to define five decision making framework pillars, one of which is the Panels' review, challenges and its report. The Board will get an update against these five pillars on Monday.</p> <p>BW said that its PR19 assurance regime is reaching the conclusions stage. The Panel is one of several second lines of defence and its challenges are being used by the business in conjunction with the internal challenge process. The Deputy Chair said the Panel will mention this in its report but he would welcome like more clarity on this from BW. BW replied that its quarterly updates to its customer engagement framework provide this evidence.</p> <p>BW said all the PwC management challenges in its draft report (provided to the Panel last week) are being taken forward and addressed. This would provide reassurance to the Panel on the effectiveness of the assurance regime and the robustness of the plan. PwC will be providing an updated report to BW's Board next Monday. The Deputy Chair asked whether this update will clear all the amber findings. BW said all ambers are being tackled with a view to turning green. The company agreed to share the executive summary of PwC's final report on the customer facing issues. The final report will be sent to the Board on 21st August and to the Panel on the 24th.</p> <p>With regard to external assurance, BW said that Jacobs are auditing every non-financial data table and that all data are expected to be given an A or B grade (both of which are satisfactory). There are a couple of Cs at the moment but these are being dealt with and BW is confident that they will get to Bs as a minimum. BW also reported that PwC expect that the business plan financial tables will be satisfactory.</p> <p>The Report Writer noted the business plan table data most relevant to the Panel are the numbers of customers consulted and the individual pieces of research undertaken. BW said that the final numbers for these will be over 35,000 and 50 respectively.</p>	



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<p>It was agreed that by 17th August the Panel will provide BW with a draft of its PR19 report and an updated Aide Memoire statement for the Board. These should be sent to Dani and Ed as well as Sue and Chloe (who will be away that day). BW will review the Panel's report for factual accuracy and format it over the following weekend and feedback to the Panel on the Monday. The Panel can then edit it further as necessary.</p>	
<p>9. In camera session after main meeting</p>	
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