

## Minutes of Meeting 16 – 7<sup>th</sup> March 2019

### Attendees

Peaches Golding OBE	BWCP Chair	Iain McGuffog	Bristol Water (BW)
Tony Denham	BWCP Deputy Chair	Chloe Donnelly	Bristol Water
Jeremy Hawkins	Report Writer	Jim McAuliffe	Bristol Water
Michael Barnes	Consumer Council for Water (CCW)	Ben Newby	Bristol Water
Cllr Robert Cleland	North Somerset DC (NSC)	Ed Barnes (items 5 to 8)	Bristol Water
Tamsin Sutton	Environment Agency (EA)	Michelle Davies (items 7 and 8)	Bristol Water
Mike Bell (items 1 to 5)	Consumer Council for Water (CCW)		
Cllr Terry Napper	Mendip District Council (MDC)		
Luke Hasell	The Story Group (TSG)		

### Apologies

Dr Mark Taylor	Natural England (NE)
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### Minutes

<b>1. In camera session before main meeting</b>	
Minutes are confidential and not published.	
<b>2. Chair update</b>	
<p>The Chair welcomed Tamsin Sutton from EA to the Panel. The Chair also introduced Jim McAuliffe, BW's recently-appointed INED.</p> <p>The Chair presented her report, the main points of which were included in the accompanying slide pack. The slide pack has been placed on the File Transfer System (FTS).</p>	

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<p>The Chair thanked the members for their contributions to the Panel’s report on the BW’s Business Plan. She said BW should be congratulated on its research for the Business Plan and the increased governance around it.</p> <p>The Chair also noted she has commented on BW’s draft Assurance Plan.</p> <p>The Chair said BW has moved forward significantly since the last Price Review. This will be covered later in this meeting but, because of time constraints, she would like to concentrate on Ofwat’s Initial Assessment of Business Plan (IAP) challenges and the additional customer research BW is undertaking in response to these. She noted that both BW and the Panel have to respond to the IAP to Ofwat by 1<sup>st</sup> April.</p> <p>The Chair and Deputy Chair had attended the BW’s recent Social Contract event.</p>	
<p><b>3. Challenge Log and outstanding actions</b></p>	
<p>The Deputy Chair presented a number of slides on the current status of the Panel’s challenges and outstanding meeting actions. The latest slides are on the FTS.</p> <p>He has been able to clear some challenges with the company. Only two remain outstanding but these are longer term issues and are not needed to be cleared for the Business Plan or the IAP responses.</p> <p>He requested formal acceptance of the minutes of the Panel’s meeting on 12<sup>th</sup> December 2018. The acceptance was forthcoming.</p> <p>The Chair said the Panel should be really pleased with its work. 26% of its challenges resulted in changes to BW’s work or its plans. She thanked BW for treating the work of the Panel seriously and for taking on board its comments.</p>	
<p><b>4. CESG update</b></p>	
<p>The Deputy Chair presented a series of slides outlining the scope and findings of the Panel’s CESG meeting held on 19<sup>th</sup> February. He said the notes of this meeting had been circulated to members. The notes are also on the FTS. Many of the engagement initiatives will be covered later in this meeting but made the following comments on the following activities:</p> <p><b>Youth Board</b> – this is using similar format to last year but has been extended in scope to help inform a strategy to raise BW’s profile. BW said the Youth Board presented its findings to BW management yesterday. The Youth Board has been very challenging to BW over customer perception. Themes around education have emerged. The Youth Board has also been undertaking its own research and has found that bottled water has generally</p>	

<p>higher acidity than tap water. The Deputy Chair also noted that BW is attempting to extend and maintain contact with previous Youth Board participants.</p> <p><b>UKCSI</b> - BW is now the top English water company.</p> <p><b>Service Mark accreditation</b> – this has been achieved following an evaluation of all of the company’s processes, not just those that are customer facing. BW said it’s the result of a two-year journey. It will hold the accreditation for three years, before seeking to renew.</p> <p><b>Vulnerability update</b> – The Deputy Chair said the IAP feedback should be of interest to Panel and Ofwat. BW said it will restate its position on helping vulnerable customers more effectively in its IAP response to Ofwat.</p> <p><b>Debt advice workshops</b> – the Deputy Chair highlighted that debt advice charities are important as the main point of contact between BW and vulnerable customers and that BW intends to fast track social tariff applications by working more closely with these agencies. The Panel will be interested to see how effective this is. BW said it is working alongside food banks to identify vulnerable customers. MSC asked what criteria was used to get involved with food banks and where these initiatives were located. BW replied it works through the debt advice charities to obtain information. It’s targeting deprived areas across its region, not just in Bristol.</p> <p>The Deputy Chair noted that the research focus groups had identified the need to consider areas outside Bristol. The Chair asked that BW map its support against deprivation. BW agreed to do this and present at a future meeting.</p> <p>MDC enquired how many people BW is helping as a proportion of the total customer base. BW agreed supply this information direct to MDC and will also attempt to identify the numbers on MDC .</p>	<p>Action: BW</p> <p>Action: BW</p>
<p><b>5. IAP assessment update and next steps</b></p>	
<p>BW presented a series of slides outlining the timeline of the Price Review and the Ofwat feedback on the initial Business Plan. Amongst other things, Ofwat has challenged the evidence of customer support for some ODIs and for bill profiles post 2025. It has given BW until 1<sup>st</sup> April to provide more information so that Ofwat can make its draft Determination by 15<sup>th</sup> July. BW will be able to respond to the draft Determination and the Panel can do so as part of the Ofwat’s consultation on it.</p> <p>The Deputy Chair asked BW if all Ofwat’s IAP questions have to answered by 1<sup>st</sup> April. BW said that some may result in marginal changes to plan by then but some questions posed relate to longer-term issues such as systems thinking.</p> <p>The Chair said the Panel will need to know what will be changed now, what are longer term and what BW will argue against. The Deputy Chair added that he hasn’t circulated</p>	

Ofwat’s 84 IAP questions to Panel members as the actions the Panel will need to present in a response to Ofwat will depend on BW’s response to each, particularly those that affect customer service levels and/or bills.

BW summarised its position arising from the IAP feedback from Ofwat. It has made significant steps forward since the last Price Review and Ofwat noted a good line of sight from the customer engagement results to the Business Plan. The Chair said that the IAP has placed BW on the ‘Slow Track’, along with the majority of companies, but that this marks an improvement from the last Price Review and demonstrates that BW is listening to customers.

TSG asked what would have been needed for BW to achieve ‘Fast Track’. BW explained the three Fast Track companies are listed companies and have the largest financial buffers. Whilst BW now has low gearing, Ofwat’s ‘identikit’ assessment approach was unlikely to award Fast Track status to small companies. The Chair noted that Ofwat has four IAP assessment categories and that no company had been found to be innovative or resilient enough to be awarded ‘Exceptional’ status. BW said its governance process means it has good separation from the development of the business plan and its delivery and that it won’t rush its response to Ofwat. The Chair agreed this is the right approach to take.

BW provided a high-level summary of Ofwat’s IAP challenges and its proposed responses.

It was noted that 55 out of the 84 IAP questions relate to ODIs. Other areas include:

- Improvement of outcomes and customer complaints handling
- Costs 15% above Ofwat’s assessed efficient level
- Insufficient evidence to support some ODIs
- Insufficient evidence to support the cost of capital, to the target credit rating and long-term resilience

EA asked in connection with Slide 16 if the IAP results for all companies have been weighted. BW said Ofwat will have done this but hasn’t published the results.

MDC enquired about BW’s environment discharges. BW replied these relate to water treatment works’ wash water.

The Deputy Chair noted that the Panel considered BW’s customer engagement to be good and so was surprised to see Ofwat had only given it a B rating. He wondered what other companies who had achieved a higher rating, eg Anglian, had done better. The Panel will need to understand this for its future work. BW agreed that a gap analysis to the better performers should be done and committed to do this as soon as possible.

**Action:**  
**BW**

<p>The Report Writer asked BW what form its response to Ofwat’s IAP will take. BW replied that some sections of the business plan will be rewritten and will include signposts to Ofwat’s IAP challenges. An action tracking spreadsheet will also be used.</p> <p>The Deputy Chair noted that we are now half way through the IAP response period and asked if any responses will change the proposed bill profile or future customer service. BW said there will be some changes to bills (c£3 over ten years), caused by government changes to capital allowances. It is not planning to change service levels other than adding in the Ofwat-required PC concerned with void rates.</p> <p><b>Further research (also see Item 6 below)</b></p> <p>Whilst Ofwat had requested the customer testing of multiple bill profiles beyond 2025, it had accepted in a recent call with BW that this would now not be necessary as the company’s proposed bill changes are too small to make this worthwhile. BW said that because it has already planned this additional research it would go ahead with it. The Chair wondered if the resources could be better used elsewhere. EA asked if BW could use the opportunity to include questions on other issues raised by Ofwat. BW said it was doing this.</p> <p>BW said its proposed additional ODI research will cover all 48 ODI-related IAP questions plus seven other IAP challenges.</p> <p>The Deputy Chair asked when BW expects to inform the Panel of the ODI research findings. It will need a response from BW on the 84 IAP questions, particularly the materiality of any impact on bills and service levels. BW said it should be able to do this early next week.</p> <p>The Deputy Chair added that he wishes to be able to present to the Panel on 21<sup>st</sup> March its proposed response to each relevant IAP question.</p> <p>MDC noted that Portsmouth had come out of the IAP well in terms of efficiency and wondered why this was and whether BW could alter its network accordingly. BW considers Portsmouth’s small area, high population density, relatively low network age, water source position and low pumping regime are all factors plus Ofwat’s efficiency modelling, which looks at issues outside management control and the total cost of water supplies rather than at component level, favours such companies. BW can’t reshape its business on the basis of Ofwat’s model results, certainly in the short term.</p>	<p><b>Action: BW</b></p>
<p><b>6. ODI and acceptability customer research</b></p>	
<p>BW presented a series of slides illustrating its ongoing research activities.</p>	

**ODI research**

BW explained that it's additional ODI research using focus groups has now finished and that the results were being presented by ICS that afternoon.

It reported that, at the first focus group, participants had found the ODI information presented difficult to understand and there was insufficient time for them to fully contribute their views. As a result the sample size for each topic area had been reduced for the subsequent focus groups. The results have yet to be written up by ICS and presented to BW.

The Deputy Chair asked if the research addressed Ofwat's IAP questions and whether the results will be of sufficient quality and reliability. BW replied that they were designed to address the IAP questions and that they expect the results to be sound but will wait to be briefed on them. They also said that they will also use the results from the original ODI research undertaken last year.

EA asked if the three environment PCs identified in the IAP responses had been covered in the original ODI research. BW said they had been and this latest research has covered specific dead-bands, caps and collars related to them. It agreed to share the survey results as soon as possible.

The Deputy Chair wondered if the results from the first focus group he attended would be of sufficient quality to answer Ofwat's questions. He is keen to see the results of the subsequent group to see that this is the case and also what was learnt from the first focus group. He'd noted the high proportion of 'don't know' responses to the questions posed to the first group. BW said that 'don't know' can be a helpful answer as it can mean the research is not appropriate, as long as the questions are understood.

The Chair asked about the feedback and lessons learned from the first focus group and whose view will determine if the overall results are meaningful. Could the results be triangulated with other research from last year? NHS asked if the research format was valid and the Report Writer noted that Ofwat expects research to follow best practice. BW replied the first focus group could be regarded as a pilot study. ICS will advise the company on the results and it is not in position to answer these questions until ICS has reported on them.

**Bill acceptability research**

BW said that updated research material had been sent to the Panel today together with a link to try out the survey. The Chair encouraged members to do this.

The Deputy Chair enquired about the additional Cost of Debt research being undertaken. BW said this was part the acceptability testing. The Deputy Chair asked when the results

**Action:  
BW**

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<p>will be available. BW said the testing has only just started and results will be made available as soon as they're ready.</p> <p>NSC congratulated BW on the research work it is undertaking but wondered about the resources required for it. BW said it has a small team dedicated to it and agreed that there is a lot of work going on at the moment.</p> <p>The Deputy Chair said he expects these latest one-off research activities will eventually become part of the company's continual engagement programme.</p>	<p><b>Action: BW</b></p>
<p><b>7. Social Contract update</b></p>	
<p>BW presented a number of slides providing an update on its Social Contract (SC).</p> <p>It said it is proud to be the first company to have a SC and is currently in a process of evolution in order to shape it.</p> <p>The Chair and Deputy Chair attended the company's recent SC event. BW also noted its related SC research with its Customer Forum, Youth Board and Bedminster Down school. It is developing a programme of SC initiatives. It has an internal SC working group plus a Steering Group. It will bring its view on the shape of the SC programme to the Panel in due course. The SC commences on 1<sup>st</sup> April 2020 so there is good time to test and modify it.</p> <p>The Report Writer asked about the measurement of the success of the SC and suggested the Panel could help with the design of the performance measurement regime. BW agreed and will involve the Panel in due course but it has to undertake a certain amount of work beforehand.</p> <p>The Deputy Chair asked about the interaction of the SC and the ODIs for the next AMP period and the need to avoid double accounting. BW said it is aware of this need. There is deliberate overlap of PCs but not of financial incentives.</p> <p>BW said that Education and Vulnerability were key themes that have come from the Customer Forum.</p> <p>NHS noted that the SC is also about reputation. BW agreed. It needs to rely on customers to help deliver its promises and obligations.</p> <p>EA said that education on the environment should be linked to health and wellbeing. BW agreed.</p> <p>NSC said it was pleased to see that Blagdon was being used as part of the education initiative. BW said it opened Blagdon to the public last September and is looking to make enhancements to the building as a result.</p>	<p><b>Action: BW</b></p> <p><b>Action: BW</b></p> <p><b>Action: BW</b></p>

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<p>NSC asked about initiatives relating to the reduction of plastic waste. BW mentioned its refill campaign and that its new water fountains were being purchased shortly. The Water Bar initiative is ongoing but has been progressing slower than anticipated.</p>	
<p><b>8. AOB</b></p>	
<p>The Deputy Chair mentioned that certain Panel members have limits on the size of emails they can receive and that all documents can be viewed on the FTS. FTS passwords and logins can be obtained from Chloe.</p>	
<p><b>9. In camera session after main meeting</b></p>	
<p>Minutes are confidential and not published.</p>	