

Minutes of Meeting 18 – 13th June 2019

Attendees

Peaches Golding OBE	BWCP Chair	Iain McGuffog	Bristol Water (BW)
Tony Denham	BWCP Deputy Chair	Claire Miller	Bristol Water
Jeremy Hawkins	Report Writer	Jim McAuliffe	Bristol Water
Tamsin Sutton	Environment Agency (EA)	Ben Newby	Bristol Water
Michael Barnes	Consumer Council for Water (CCW)	Sue Clarke	Bristol Water
Luke Hasell	The Story Group (TSG)	Alex Smethurst (Item 6)	Bristol Water
		Michelle Davis (Item 7)	Bristol Water

Apologies

Dr Mark Taylor	Natural England	Dr Tabinda Rashid-Fadel	NHS
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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 everyone to the meeting.</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> <p>The Chair reminded everyone that the Panel made three main challenges to BW on its PR19 Business Plan; the resilience of its assets, activities and finances, the Board sign off of the PR19 assurance statements, and its plans and resources to transform itself to meet its promises. Some PR19 related customer engagement remains outstanding (relating to social tariffs) and the Chair asked BW when the Panel will be updated on this. BW said its social tariff research will start in the Autumn and it will present its work to the CESG at its next meeting.</p>	Action: BW

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<p>The Chair said there had been an evaluation of the Panel’s PR19 process with BW and discussions are ongoing over whether the Panel should hold its meetings and undertake its challenge work in a different way for PR19.</p> <p>The Chair had attended the recent CCWater regional roadshow. Discussions had included social responsibilities and fairness. The Chair considers that BW is taking a more strategic view on these issues than others in the region. However being a leader can place it in a difficult position.</p> <p>There had also been an Ofwat evaluation of the CCG process. No great insights have come out of this work so far.</p> <p>The next steps for the Panel include the establishment of a Social Contract Sub-Group. The Panel will also be reconstituted in early 2020 for the next five years.</p>	
<p>3. Challenge Log and Outstanding Actions</p>	
<p>The minutes of last Panel meeting were agreed.</p> <p>The Deputy Chair said a meeting action log is being maintained. He had reviewed the log recently with BW and some longer-term actions have been moved to the Challenge Log. It is anticipated that some remaining actions will be cleared today and some at the next CESG meeting.</p>	
<p>4. CESG update</p>	
<p>The Deputy Chair presented a series of slides outlining the scope and findings of the Panel’s CESG meeting held on 22nd May. The notes of this meeting had been circulated to members and are also on the FTS. BW agreed to check that the FTS is available to all Panel members.</p> <p>The main topics discussed at the CESG were:</p> <p>Vulnerability Update – the CESG has asked for updates on the PR19 vulnerability action plan</p> <p>Website accessibility – BW said the revamp of its website started this week. Work should be completed this August. The Chair said the Panel will like to know when BW achieves its ‘AA’ accessibility status.</p> <p>Governance – The intended interface between the Panel and the BW Customer Insight Forum was noted. There is a good spread of new engagement initiatives going ahead. BW</p>	<p>Action: BW</p> <p>Action: BW</p>

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said it now has a dedicated engagement team. The Deputy Chair noted there is now much research information available and coming in and wondered if it can be used more effectively in relation to national data and the national view. This potential is being investigated by CCWater but the scope may get narrowed down to willingness to pay data due to cost. The Chair asked how the CESG will interact with the work of BW’s Customer Team and Customer Insight Forum. BW said progress will continue to be reported in the quarterly report but it will also share the output from these specific groups and that the interactions with the CESG need to be clarified.

Action:
BW

Annual Survey Results – The Deputy Chair noted the reasons for customer satisfaction and dissatisfaction. BW had had a poor first half of 2018/19 but performance had been much better in the second half of the year. He also noted the piloting of new ways of working with contractors

SIM results – BW is now ranked tenth in the industry. Improvement projects for customer experience are ongoing and performance improvements are being seen. The pilot project involving network managers working in the Operational Control Centre (answering customer contacts by phone) finishes next week. BW has set up its Customer Care Team. The BW Executive wasn’t happy with first half year performance. A backlog of jobs has now been cleared. There have also been cultural changes. Last month there were no second stage complaints for the first time. The focus is now to keep on top of things.

The Chair noted that SIM and C Mex are lag indicators and asked if BW had any lead indicators. BW replied that jobs outstanding is monitored each day. Value For Money is also another relevant indicator. There are financial incentives and encouragement given to field staff through regular feedback. The Chair said incentives only work for some people and BW needs to identify intractable personnel. BW replied that it is looking a shorter supply chains with more BW control. The Chair said that customers expect a certain level of service on a consistent basis. The company needs systems to ensure this happens. The Deputy Chair added that unless feedback on the performance of contractors is timely, performance will not be affected. BW agreed.

TSG asked if the company was considering ways to reward or incentivise customers on water efficiency. BW said that one of its key targets is to reduce consumption and it will present its water consumption reduction strategy to the Panel in the near future.

Action:
BW

Online Panel – The Deputy Chair noted that customers have a desire to have more information on the timescales for repairs. BW said it now commits to provide hourly updates even if there has been no change of circumstance. EA suggested that provision of information with appropriate caveats would be acceptable. CCW agreed that the risk of over-promising and under-delivering should be recognised and that the wider trust in the company shouldn’t be damaged.

The Deputy Chair noted that some customers would like to solve problems themselves and that BW could provide information including videos (or links to such material) to help

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<p>them. CCWater agreed this information would be useful but BW should make it clear that customers don't have to try and sort problems themselves before contacting the company.</p> <p>There was discussion on BW's considerations to offer evening and weekend appointments. The Panel welcomed this service, particularly for customers on the PSR.</p> <p>The Deputy Chair noted that customer complaints that are resolved by phone are not to be counted in the C-Mex methodology .</p>	
<p>5. PR19 verbal update</p>	
<p>BW reported that there has been little PR19 activity since the last Panel meeting. There have been no material insights from Ofwat on the company's submission since the IAP . BW has been responding to Ofwat's queries (which have been relatively minor). Ofwat's efficiency models may have changed slightly and there is an indication that it is reviewing BW's canal costs (although there is no detail on this as yet) .</p> <p>The Draft Determination (DD) is expected in mid July and BW will have until the end of August to respond to it .</p> <p>The Deputy Chair referred to the published DDs for the fast track companies. He noted that BW has some concerns over the penalty mechanism arrangements for the fast track companies. BW said this is to do with incentive design but it doesn't have sufficient information to be clear on this. It expressed its concerns in its IAP response. BW may have to have discussions with Ofwat in the six-week DD window but it needs to see the DD before deciding. BW said that Ofwat has taken a different view for the fast track companies to that expected for the PAYG/RCV runoff rate adjustment for financeability and developer services income and cost.</p>	
<p>6. 2018/19 Performance</p>	
<p>BW presented a series of slides illustrating its performance in 2018/19 against its 21 PR14 Performance Commitments.</p> <p>The following points were discussed:</p> <p>Unplanned Customer Minutes Lost - The Deputy Chair asked if Frenchay was a major supply incident. BW replied this incident was small relative to the incidents in the previous year. However it made the difference between meeting the PC target and missing it and it should have been avoided. Operational lessons have been learnt from it. Planning the risks around the work the operational crews do before handling the response would have made a positive difference. A new process is in place. The event caused a rise in contacts and</p>	

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was combined with other incidents around same period. With hindsight the company should have opened a formal incident to cover this busy period.

Penalties - The Deputy Chair noted that penalties accrued in 2018/19 totalled £3.2m whereas £4m had been accrued in the previous three years. Does this suggest that performance is getting worse? BW replied the incentive mechanism for leakage is based on three-year average values and the penalty for 2018/19 was anticipated last year. However the leakage penalty this year is lower than forecast at mid-year due to increased resources and effort applied in the second half of the year. EA noted that the forecast number of PCs met for 2018/19 made at mid-year was 10, but the actual was 9. BW replied the lower than anticipated performance in the second half of the year from the general satisfaction survey is the reason for this.

General - EA noted that 2016/17 was a good year for BW in terms of PC performance. Can any lessons be learnt from that year? BW replied that the CMA outcome was made in 2017/18 and resulted in more stretching PC targets being set from this year onwards.

Assurance - The Deputy Chair asked if all the PC performance figures have been audited. BW replied that they had.

Customer Satisfaction - The Deputy Chair noted performance in the second half of the year was better than the first for most PCs but not the customer surveys. BW said the extreme weather events from earlier in the year had had a legacy impact on contacts in the second half. BW said it may have to change the basis of its PC forecasts at mid-year and will look into this.

Asset Reliability - It was noted that due to the design of the associated incentive, asset reliability in 2018/19 was impacted by bursts in 2017/18.

Leakage - EA asked how confident BW is of meeting its leakage target in 2019/20. BW replied that it hopes to out-perform the target but this is weather dependent. It has looked at and increased productivity, eliminated the backlog of leakage work and increased in-house staff numbers.

Meter Penetration - It was noted that performance for 2018/19 is less than was forecast at mid-year. BW explained this is partly to do with fewer customer requests due to a slowdown in the housing market. The Deputy Chair noted the forecast increase in meters installed in 2019/20 is significant. What is BW going to do differently in that year to meet this target? Are more resources going to be moved into this area of work? BW replied that it is increasing its marketing activities including more advertising and promoting its Beat the Bill campaign again. However BW recognises that the target is ambitious. The Chair asked if BW has a plan to change customer behaviour more generally? BW replied that it has but this is not yet linked definitively to PC performance. The Chair asked when the plan to influence customer behaviour would be brought to the Panel. BW agreed to do this early next year.

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BW

<p>Risk of Severe Restrictions in a Drought. - EA remarked that a 42% at risk figure seems to be high and questioned why such a target exists. BW replied that this is the current reporting methodology set by Ofwat and the measure attempts to reflect the gap between supply and demand as stated in the WRMP. The measure may change in future as there is some uncertainty across the industry over it.</p> <p>Assurance – It was noted that the external auditors have reported no material concerns with BW’s methodologies and data. The amber methodology assessments mid-year have gone green. The Chair congratulated the company on this achievement and that it has come a long way in recent years. The Deputy Chair asked that the Atkins assurance statement be shared with the Panel. BW agreed to do this.</p> <p>The Deputy Chair asked if the current amber assessments for the PR19 shadow reporting will be going to green for the start of PR19. BW said they will be.</p> <p>The Deputy Chair asked when during the coming year Ofwat are going to consult on the Company Monitoring Framework. BW said it is not going to be a consultation, just discussions, and these haven’t been formalised yet.</p>	<p>Action: BW</p>
<p>7. Social Contract</p>	
<p>BW presented a series of slides outlining its current and planned work on its Social Contract (SC). The following points were discussed:</p> <p>Background</p> <p>BW’s Social Purpose was published in Feb 2019 along with the Social Contract.</p> <p>BW is currently in its SC pilot year. The SC will be delivered in detail from April 2020. Some SC events have already happened, and more are planned this year. The Deputy Chair noted that BW has carried out several social benefit activities for a number of years and these will continue. The Panel is now interested in the new initiatives and their linkage with PR19 PCs and ODIs. BW added that the SC brings all its social initiatives together as part of its long-term strategy .</p> <p>BW said Ofwat’s emerging strategy aligns with BW’s published Social Purpose and that Ofwat has recognised the SC work BW is doing.</p> <p>The aims of the SC</p> <p>The SC was published in April this year. It contains seven aims as set out on the slide presented at the meeting.</p>	

TSG asked if BW will be allocating a certain budget to the SC. BW replied that its Board has approved nothing specific to the SC but will review this on an ongoing basis in the light of its new corporate governance statement. The SC is more about participation and collaboration and delivery of key business targets. The Deputy Chair expressed concerned that any reward payments are not available until he year after they were earned. How will the Panel review this? BW said it is developing a mechanism and will share this with the sub-group.

**Action:
BW**

EA asked if there is any scope for including environment benefits in the SC aims. BW replied that it uses the term ‘social’ to cover social, environment and economic benefits and so the SC includes the environment.

BW said the key participants in the SC are the BW Board, the BWCP, local stakeholders, customers and employees in a framework which will bring together all views

BW outlined its proposed cyclical SC process covering agreement on what to deliver, delivery, reflection, financial reinvestment mechanism that kicks in if expectations haven’t been met and agreement on how to meet expectations in future. BW said the Panel will play a key part in monitoring performance, ensuring transparency in communication plus providing help in shaping the SC initiatives.

The Report Writer said that a key success factor will be the clear definition and measurement of objectives. The Chair added that co-creation of objectives will be important in determining outcomes and satisfaction and noted that changes of key stakeholder staff can be disruptive. Some things will be more tangible and easier to measure than others. Also some activities and stakeholder engagement may not fit the annual cycle, for example engagement with the mayor whose term of office will not coincide with BW’s cycle.

The Chair also identified the need to agree how BW’s exits from something, eg pollution reduction related tree planting may evolve into something else.

The Deputy Chair considered the SC pot of money should be directed toward stakeholder driven initiatives because company-driven initiatives should be funded by the business. BW replied this will need to be discussed with the Panel as it may not necessarily be that clear cut.

**Action:
BW**

EA asked if anything from Ofwat’s ‘water stories’ might inform the SC. BW said that its planned participants event will test this. Ofwat will be invited to this event.

There was discussion about the focus on the Social Contract. it was suggested that BW map its Social Contract against the UN Sustainability Goals and the company accepted this as an action.

**Action:
BW**

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<p>Pilot programme of initiatives</p> <p>BW said there are currently 40 SC initiatives within eight programmes. These have been prioritised through conversations with customers. Education and conservation were the top two customer priorities, followed by vulnerability.</p> <p>CCWater asked if BW has a different owner for each programme. BW replied that this is the case.</p> <p>The top 10 outcomes have been defined for the pilot programme. Each programme will be put on BW’s website.</p> <p>Next steps</p> <p>BW confirmed there will be a SC Sub-Group meeting of the Panel on 30th July and again in September. BW will confirm the date for the September meeting.</p> <p>BW will report progress on the SC to the full BWCP within the existing meeting programme.</p> <p>BW aims to consult stakeholders on its proposed SC programme at the end of the year.</p> <p>The Deputy Chair asked if the purpose of the SC has been agreed by the BW Board. BW confirmed that it has.</p>	<p>Action: BW</p>
<p>8. BWCP upcoming meetings</p>	
<p>BW agreed to communicate the dates of all future meetings of the Panel and its sub-groups to the Panel members.</p> <p>The Chair invited any Panel members to attend the Social Contract Sub-Group meeting on 30th July. The aim will be to see from a customer perspective how the Panel can help shape the Social Contract.</p> <p>The Deputy Chair asked when the company will have something on its ideas for the future of the Panel. BW said it will report to the Panel in July with a view to finalising things by September.</p>	<p>Action: BW</p> <p>Action: BW</p>
<p>9. AOB</p>	
<p>Jim McAuliffe said he will be reporting back to the BW Board on the following points raised by the Panel at today’s meeting</p>	<p>Action: BW</p>

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<ul style="list-style-type: none"> • How BW might work better with the farming community to improve raw water quality • Does the company have the resources necessary to meet the meter penetration target for 2019/20? • How BW influences per capita consumption • How the Panel gets involved with the SC. • How BW finds vulnerable customers in connection with its Social Tariff initiatives. <p>The Deputy Chair said the change of emphasis of the Panel for PR19 will be on how BW is looking ahead to things that affect customers, how best to communicate to customers and whether the BW organisation needs to change to meet these challenges. Does the company have its transformation clear in its mind and does it recognise this will be an ongoing issue? Customer expectations have been raised as a result of BW’s PR19 promises and the Panel should change its approach to reflect this.</p>	
<p>10. In camera session after main meeting</p>	
<p>Minutes are confidential and not published.</p>	