

INDEPENDENT CUSTOMER CHALLENGE GROUP – SOUTH EAST WATER

TERMS OF REFERENCE Last updated August 2018

1. INTRODUCTION

This Terms of Reference for South East Water's Independent Customer Challenge Group (CCG) has been developed by the CCG and agreed by the South East Water. They have been created having considered good practice cross-sector learning on customer challenge groups/panels, and relevant requirements and guidance from the water regulator Ofwat.

2. BACKGROUND

South East Water's CCG is an independent Group whose overarching aim is the delivery of the best possible experience for South East Water's customers by ensuring the interests of current and future consumers and the public interest are at the heart of the Company's decision making processes. This is in line with the company's vision and strategy 'to be the water company people want to be supplied by and want to work for'.

3. ROLE

The CCG has two distinct primary functions:

- a) To perform the customer challenge role on engagement for the next period review of price limits called 'PR19', as set out in Ofwat's May 2016 customer engagement policy statement¹ and related guidance².
- b) To perform an ongoing scrutiny role advising and challenging South East Water on the delivery of its current business plan and day-to-day activities.

In addition, while not a primary function, the CCG is able, if appropriate and in the interests of current or future South East Water customers, to challenge and advise the water regulator Ofwat and wider decision makers. This may be done in a variety of ways, including but not limited to, via: bilateral meetings, formal or informal written and verbal submissions, and the Ofwat CCG Chairs meetings.

¹ https://www.ofwat.gov.uk/wp-content/uploads/2015/12/pap_pos20160525w2020cust.pdf

² <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

The Customer Challenge Group (CCG) shall be the name used for all functions in reports. The challenge role for PR19 is subject to Ofwat guidance and requirements. The specific functions of the CCG will be updated as appropriate. All references to 'The Company' refer to South East Water.

The CCG will focus on those issues that customer engagement is most likely to influence, where there is greatest need to improve consumer outcomes, and it has the expertise to challenge and scrutinise.

4. DUTIES

A) The customer challenge role for PR19

The CCG's primary responsibility is, following Ofwat guidance³, to provide independent challenge to companies and independent assurance to Ofwat on:

- The quality of South East Water's customer engagement.
- The extent to which the results of this engagement are driving decision making and are reflected in the Company's plan for 2020-25.

In particular this will include:

- The drafting and submission of an assurance report to Ofwat, alongside the company's business plan on 3 September.

The CCG may, where it has appropriate expertise, (though is not expected to) challenge or assure costs including investment decisions, where it is in customers interests.

The Group will not:

- Endorse the company's overall business plan.
- Provide assurance that all costs included in the Company's plan are efficient.
- Act as a substitute for a company engaging with its actual customers.
- Substitute its views for those of consumers.
- Duplicate the role of another statutory body such as the Environment Agency, Natural England, CCWater nationally or regionally. It can however work with and support their role.

The CCG will focus on those areas where customer engagement is most likely to deliver a better outcome for consumers and where it has the expertise to challenge and scrutinise.

³ <https://www.ofwat.gov.uk/publication/aide-memoire-customer-challenge-groups/>

The Ofwat Assurance Report:

The CCG is not expected to approve or endorse the Company's overall business plan for 2020-25.

The report will be an honest and balanced commentary including but not limited to:

- The quality of South East Water's customer engagement for PR19.
- The extent to which the results of this engagement are driving decision making and are reflected in the Company's plan for 2020-25.
- Areas of challenge and disagreement.
- How the Company has responded to challenges and any areas of outstanding disagreement.
- Any concerns the CCG process has highlighted regarding tensions between delivery of the proposed plan and compliance with statutory environmental and drinking water quality obligations.
- Any lessons learnt.
- How trade-offs have been explored and reflected in the development of the business plan.
- Any divergent views within the CCG.

B) Its secondary ongoing scrutiny role

After 3 September 2018 the CCG will:

- Continue to provide scrutiny and challenge on the quality of South East Water's ongoing customer engagement to help put customers' views at the heart of the organisation.
- Scrutinise and challenge the degree to which the Company is delivering on its business plan promises.

In its ongoing role the CCG will produce an Annual Report for publication, on South East Water's performance in relation to its business plan promises and commentary of their progress on engagement.

5. AUTHORITY AND POWERS

The CCG is an independent Group. It's authority to carry out its duties as outlined in these Terms of Reference is given by the South East Water Board, and by the water regulator Ofwat, with regard to the PR19 challenge role.

South East Water is not obliged to adopt all of the recommendations or act in response to the challenges from the CCG. Where this is the case, the Board will publish its reasons.

6. CHAIR

The Chair is recruited via open competition using a good practice recruitment and selection process, including national advertising.

The Chair is selected according to their expertise and experience, on behalf of the Board, by a recruitment panel consisting of a Board non-executive director, South East Water senior leaders and the independent statutory watchdog for water consumers, CCWater.

The Chair of the CCG is independent of all interests of the Company. He or she is not as a representative of a particular organisation or group of customers so that they can focus on their role of being a strong and independent chair.

The Chair has a job description, which involves a range of duties to facilitate the CCG in delivering the duties outlined in these Terms of Reference. This includes but is not limited to:

- Shaping agendas and commissioning papers and speakers.
- Facilitating the Group's discussions and communications to make sure every Group member has a full and fair chance to:
 - Raise issues and contribute to all the discussions and deliberations of the Group.
 - Challenge and advise the company as outlined in these duties.
 - Raise issues with regulators and wider decision makers as appropriate.
- Wider external stakeholder engagement to ensure a diversity of views and challenge are heard.

In between meetings of the Group, the Chair will be the principal link between the Group and the Company but will ensure that all Group members are kept informed and involved.

7. MEMBERSHIP

The CCG has up to 14 members including the Chair. For a full list of current members see here <http://customerchallenge.co.uk/our-members.html>

The CCG membership is constructed to ensure a wide range of knowledge, experience, and perspectives of the issues affecting both business and domestic customers within the Company's region of operation.

As recommended by Ofwat the CCG comprises core members who have a statutory remit in the water sector:

- Consumer Council for Water
- Environment Agency
- Natural England

Members of the CCG are selected as they possess relevant knowledge in one or more of the following areas:

- Business or residential customer issues
- Vulnerability incl. debt advice and supporting customers on low incomes or with additional needs
- Engagement and communications
- Research and behaviour change
- Environment and sustainability
- Price controls and business planning

Future members will be recruited according to open competition and best practice recruitment processes.

Membership of the Group may be supplemented from time to time if required e.g. a gap in expertise is identified.

8. TERMS

All CCG members will serve for a maximum two price control terms with at least half of all roles coming up for recruitment every five years to ensure fresh perspectives. In making appointments and re-appointments the Chair will seek to strike a balance between ensuring appropriate continuity of membership and securing new members in key points in the life and work of the CCG.

9. REMUNERATION

The Chair is contracted on a retainer basis (with a fee that is in line with board non-executive director fees). CCG members who are not paid to attend by their organisations are paid a day rate for attendance of meetings. The Chair and all members are reimbursed for all reasonable expenses incurred in relation to their membership of the CCG.

WAYS OF WORKING

10. WORKPLAN

A workplan will be established by the CCG for the year ahead and will include the annual report once a year to South East Water.

11. FREQUENCY AND LOCATION OF MEETINGS

The CCG will meet monthly when performing its Ofwat business plan role, otherwise at least quarterly. Meetings will also be convened when a need arises.

Sub-Groups or Task Groups may be set up to investigate and provide greater scrutiny, challenge and advice on particular issues or more timely input e.g. on research methodology or customer vulnerability.

Communication and decisions will also take place remotely including by phone and email between meetings as necessary.

CCG meetings will generally take place at South East Water's head office in Snodland or at an agreed accessible location in London. Meetings with external stakeholders may vary in location.

12. EVIDENCE BASE

The CCG will gather its information in a variety of ways. This includes but is not limited to:

- Presentations by and information from South East Water – including Deep Dives, to increase knowledge and understanding of key issues.
- Presentations from, and meetings with, external parties and organisations, including the Drinking Water Inspectorate, Ofwat, commissioned researchers such as Accent, and Brand Edge among many others.
- The sharing of relevant information between members including insights gained beyond their CCG function.
- Attendance at relevant external events including Ofwat CCG Chairs meetings.
- Horizon scanning to identify relevant research and information.
- Attending and observing South East Water engagement activities including regular attendance at the Company's Environmental Focus Group (EFG).
- The CCG may set up sub-groups or task groups where appropriate to provide further scrutiny, advice and challenge.
- Carrying out its own independent research.

13. QUORUM

The quorum necessary for the transaction of the business for the main CCG shall be six. In the absence of the Chair, the Chair may nominate a deputy to chair a meeting. If the Chair is unable to do so, the members may elect a Chair for the meeting. A duly convened meeting of the CCG at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable by the CCG.

14. SECRETARY

To ensure its efficient operation South East Water will provide appropriately qualified and efficient secretariat function for the CCG to ensure the timely delivery of its work.

15. NOTICE OF MEETINGS

Meetings of the CCG, other than those regularly scheduled as above, shall be summoned by the Secretary of the CCG at the direction of the Chair.

Meeting dates, times and venues shall be advised wherever possible, no less than 21 days in advance of the meeting. In exceptional circumstances, meetings can be called at shorter notice, at the discretion of the CCG Chair.

Unless otherwise agreed, an agenda of items to be discussed and supporting papers shall be forwarded to each member of the CCG and any other person required to attend, not later than seven days before the date of the meeting.

Any member may request an urgent meeting by contacting the Chair. The request should specify the purpose of the meeting and the discretion to allow such a meeting rests with the Chair.

16. MINUTES OF MEETINGS

The secretary shall minute the proceedings and resolutions of all meetings of the CCG, including recording the names of all those present and in attendance. Minutes shall be circulated promptly to all members of the CCG for agreement and once agreed published on the CCG's website www.customerchallenge.co.uk

17. CHALLENGE LOG AND FEEDBACK

The CCG will keep a Challenge Log of all the 'challenges' and suggestions made to South East Water and their response to them. This includes challenges made outside of the formal CCG meetings. The CCG will also document advice given and feedback.

18. ENGAGEMENT LOG

The CCG will keep an Engagement Log. This will document all members attendance at relevant events, engagement activities, meetings with South East Water, to provide transparency and accountability around the work carried out by members.

19. MEMBERS CONDUCT

It is expected that:

- Group discussions will be robust and challenging but should always be conducted with civility and respect.
- All participants both the Company and the members, contribute fully and candidly to all discussions.
- Wherever possible the CCG will reach a consensus position. Where this is not possible the divergent views will be captured. It will not prevent a member or organisation represented from making direct representations to the Company or regulators.

20. MEMBERS RESPONSIBILITIES

It is expected that:

- All members will act in an independent capacity in carrying out the duties of the CCG as outlined in this Terms of Reference.
- CCG members should never substitute their views for customer views.
- While members are not asked to sign a formal agreement, CCG members must maintain appropriate commercial, intellectual property and personal property data confidentiality. South East Water will flag documents and information shared which is sensitive.
- All conflicts of interest must be declared. A conflict of interest register will be maintained and published on the website. This will be updated annually by the Secretariat. Members will be invited to declare any specific conflicts of interest arising at each meeting.
- Members of the CCG will be expected to attend the CCG meetings in person (deputies are not permitted with the exception of the statutory bodies – CCWater, Natural England and the Environment Agency).
- The CCG will take responsibility individually and collectively to ensure members have a good understanding of the main obligations, issues and priorities needed to carry out their role on the CCG.
- All members will log and keep the Chair updated of their relevant engagement with South East Water, attendance at events and observation of activities, and challenges to the Company of relevance to the CCG work.
- All members will work collaboratively, proactively sharing relevant learning and information.
- All members will ensure any challenges they have made or advice given to South East Water is captured in the Challenge Log.
- All members will be transparent and open in their work on the CCG.

21. ATTENDEES AND OBSERVERS

Members of the Company will be invited to meetings as appropriate but expected to withdraw for private sessions.

Organisations other than the Company - such as Ofwat and consumer or community groups - will also attend meetings by invitation where this would facilitate the work of the Group.

22. RELATIONSHIP BETWEEN THE CCG AND SOUTH EAST WATER

The CCG:

- Will operate a 'no surprises policy' openly sharing any concerns about performance or engagement in plenty of time for the Company to address issues. The exception being before the business plan submission deadlines if the Company does not allow sufficient time for review and discussion.
- Will attend meetings of the South East Water Board from time to time, as necessary and agreed with the Board.
- Will meet with the Managing Director and Board members, as needed to ensure open communication and feedback on performance.
- May be invited to provide statements to be included in South East Water's external communications and communications to customers.
- May speak freely at public events (subject to commercial confidentiality) on the role of the CCG.

South East Water will:

- Provide timely and efficient secretariat.
- Be transparent and provide as full and open information as possible to enable the CCG to perform their role.
- Be open to challenge.
- Ensure staff, including senior leaders are accessible to members of the CCG.
- Provide induction, and appropriate training to members.
- Make members aware of any sensitive information being shared.
- Be responsible for engaging with customers and to demonstrating to the CCG that they have done it well.

23. INDEPENDENCE

To support the CCG's independence and a diversity of challenge the CCG will:

- Have an independent Chair and membership.
- Be recruited by a panel including a non-Executive Director from South East Water and representation from the independent statutory consumer watchdog CCWater.

- Proactively engage with wider stakeholders including the Drinking Water Inspectorate, and smaller organisations that might not have the time to be members or make representations.
- Run private CCG meetings and communications where company staff are not present.
- Attend external events and training with a diversity of views.
- Have the Managing Director and Board Members present by invitation-only.
- Have an independent website with up-to-date information on the work of the CCG.
- Regularly refresh the membership and add new members, to prevent capture and ensure fresh perspectives.
- Take the steps outlined below to ensure transparency.

24. TRANSPARENCY

- The CCG will have an independent website www.customerchallenge.co.uk which will be updated at least monthly.
- All materials relating to the CCG to be published in, as far as possible, accessible formats, *subject to any matters of commercial confidentiality*. In particular:
 - Terms of reference
 - Code of conduct
 - Members biographies
 - Remuneration and expenses
 - Register of conflict of interests
 - Agendas of meetings
 - Minutes and papers
 - The CCG Annual Report of company performance
 - Any CCG reports to Ofwat and the Board
 - Information on how to get in touch to apply to be a member of the CCG
 - South East Water performance information e.g. Discover Water statistics or CCWater complaints data

25. GOVERNANCE

The CCG shall be responsible for periodic reviews of its operational performance and, at least annually, review its Terms of Reference to ensure it is operating at maximum effectiveness. Changes can be recommended by any CCG member, South East Water or Ofwat and will be agreed by the CCG and South East Water's Board.