



Affinity Water

Customer Challenge Group Annual Report

April 2019 - March 2020



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Introduction (Foreword)

Teresa Perchard Affinity Water Customer Challenge Group, Chair

I am pleased to introduce this report which covers the work of the Affinity Water Customer Challenge Group (CCG) from April 2019 to the end of March 2020.

The CCG's time has been divided between three areas. First, looking at issues relating to the company's future five-year business plan for the period 2020-25. Second, long term water resources planning. Third, reviewing current performance for customers on issues ranging from reducing leakage, progress with the water savings/household metering programme, water quality, inclusive services, performance reporting and community engagement. This report summarises the main issues considered and explains how the group works, and who is involved.

In February 2020 Affinity Water Limited (AWL) accepted Ofwat's Final Determination, published in December 2019. The outcome includes a 5.5% reduction in average household bills by 2025, a reduction in leakage of 20%, a reduction in personal water consumption of 12.5%, delivery of programmes to protect the natural water environment, commitments to improve customer service and expand services to support customers in vulnerable circumstances, with a significant increase in take up of the priority service register and more help for customers in financial difficulty. The company has also undertaken important work to develop



and adopt a statement of 'company purpose' to provide high quality drinking water and take care of the environment for our communities now and for future generations. Beside these measures the company will be developing plans for investment in new water resources for the future working closely with other companies in the South East. Partnership working with other companies in the South East and East of England to develop long term regional water resources plans is also starting.

All the above represent significant improvements for customers and stakeholders. The company faces uncertain economic and environmental contexts. The start of AWL's next five-year plan is overshadowed by the impact of the Covid-19 pandemic, which will have significant impacts on the whole UK economy, potentially for some years. The action required by AWL and its customers to meet the challenges of climate change has yet to be fully mapped out. It will be very demanding for the company to deliver

significant improvements, consistently, over the next five years. The company is therefore to be commended for accepting the challenge of Ofwat's price review and moving forward. The CCG is ready to advise and challenge the company on how it delivers for customers, and has already been reviewing detailed delivery and approach plans in some areas.

I would like to thank the company for providing us with regular briefing and presentations, sharing its thinking and responding to our questions and suggestions. Affinity Water independent board members, the Chief Executive, Directors and other senior staff have met with us and attended our meetings during the year giving members great opportunities to raise issues directly with the senior team. The support and organisation we have had from Anne Scutt-Webber, the CCG Manager, has been vital and much appreciated.

I would also like to thank all the members who have served on the group in the past year. Four new members kindly agreed to join the Group in September and November 2019 – Simon Morrison, Unette Spencer, Richard Tunnicliffe, and Bob Winnington. Also Rachel Nelson, then Tom Perry who both replaced Jonathan Sellars as the representative of the Environment Agency. The CCG members bring a huge wealth of knowledge, experience and insight which they are keen to use to help Affinity Water improve its service to customers.

Finally, my very best wishes go to my successor Caroline Warner who will be leading the Group from April 2020. Her previous role as the CCWater Local Consumer Advocate and a member of the CCG means Caroline already has a great deal of existing knowledge of the company, its plans and the challenges it faces. I wish her and, the Group, every success.

1 About the Customer Challenge Group (CCG) and its membership

The CCG is an independent group which:

- challenges and assesses Affinity Water's engagement with its customers and stakeholders, and its performance in delivering its current business plan (AMP6) [1] for customers; and
- challenges the company and provides independent assurance to Ofwat on the quality of the company's customer engagement for its next business plan (PR19 [2]); and the degree to which customer views are reflected in its business plan.

The CCG's Terms of Reference were first approved by the Affinity Water Board in July 2016, and revised in July 2019 to reflect the substantial completion of the Group's work on PR19 [3].

The CCG works through meetings and engagement with the company throughout the year.

The Customer Challenge Group (CCG) held six full meetings in the period covered by this report [4]. Some members were part of a working group to advise the company on the approach to consulting customers and stakeholders on their revised draft Water Resources Management Plan (rdWRMP) which concluded its work in May 2019. During the year four other working groups were formed and three of those met. Appendix B lists the formal meetings the CCG has held, and the matters considered at each meeting and the meetings of the various working groups.

The rest of this section provides information on the purpose of the CCG, its membership, governance and transparency arrangements and meetings held.

Membership of the CCG

At March 2020 the following people were independent members of the CCG

- Tina Barnard, Watford Community Housing
- David Cheek, Friends of the Mimram
- Richard Haynes, Up on the Downs
- James Jenkins, University of Hertfordshire
- John Ludlow, a public affairs and government relations professional
- Simon Morrison, NESTA
- Unette Spencer, Mastercard
- Richard Tunnicliffe, CBI
- Gill Taylor, Groundwork East
- Bob Winnington, Money Advice Liaison Group

The following members represented statutory organisations:

- Karen Gibbs, Consumer Council for Water (CC Water)
- Caroline Warner, CC Water – Local Consumer Advocate (until January 2020 – subsequently Caroline attended CCG meetings as Chair Designate)
- Rachel Nelson, Environment Agency (until July 2019)
- Tom Perry, Environment Agency, (from July 2019)

They bring a wealth of experience and insight into social and welfare policy, community and environment and public affairs across the areas Affinity Water serves.

Governance and transparency issues

In its policy statement on customer engagement for PR19 [5] Ofwat said that it wished to be assured that the CCG operates at arm's length from the company so that it can provide independent challenge. Ofwat asked for transparency in the running and governance of CCGs, including management of conflicts of interest, access to non-executive Board members, process and secretariat support. The following arrangements address these expectations:

- Minutes of meetings are published on AWL's website, as are other selected papers and reports, including a Challenge Log which is updated after every meeting.
- All meeting agendas include the opportunity for members to declare any conflicts of interest.
- The Group clearly identifies the issues on its agenda relating to PR19 as distinct from the issues relating to the delivery of the current business plan. Items on our challenge log are similarly labelled. This facilitated the audit trail for our work on PR19, Ofwat's area of interest.
- In June 2017 the CCG agreed a Protocol with the company [6] which supports our Terms of Reference in relation to PR19 by setting out points of contact and arrangements for managing and recording information and queries between the company and the CCG. A key feature is the designation of a member of Affinity Water's staff to act as the CCG Manager, the main working level contact between the CCG and the company.
- Until September 2019 one of Affinity Water's independent non-executive board members acted as a link between the Board and the CCG and been invited to attend meetings of the CCG. The CCG Chair has also attended some meetings of the Affinity Water Board and its Regulatory Working Group and Community strategy committee during the PR19 process.
- The CCG considers Ofwat's requirements were met and that we have operated transparently. Ofwat has made no comment on or raised any concerns about the CCG's Terms of Reference and governance arrangements.

[1] AMP 6 stands for Asset Management Plan and refers to the company's 5 year regulated business plan covering the period 2015-2020
[2] PR19 stands for Price Review 2019 and refers to Ofwat's process for determining prices and performance standards for water companies in the period 2020-2025
[3] <https://www.affinitywater.co.uk/docs/ccg/CCG-Terms-of-Reference-June-19.pdf>
[4] 13 May 2019, 11 July 2019, 23 September 2019, 13 November 2019, 20 January 2020, 16 March 2020
[5] Customer engagement policy statement, Ofwat, May 2016
[6] <https://stakeholder.affinitywater.co.uk/docs/CCG/Customer-Challenge-Group-Protocol-June-Review-2019.pdf> The version agreed in 2017 has been updated to reflect staffing changes at AWL.

2 Summary and assessments

PR19

We submitted a supplementary report to Ofwat on 1st April 2019, following their initial assessment of AWLs business plan. We provided our views on AWLs responses to 16 of Ofwat's 'action points' and gave Ofwat positive confirmatory assurance on the actions relating to further research with customers. The company has kept us informed as the PR19 process has progressed through 2019 and shared further customer research with us. In February 2020 AWL accepted Ofwat's Final Determination, published in December 2019. The final outcome of the price review includes a 5.5% reduction in average household bills by 2025, a reduction in leakage of 20%, a reduction in personal water consumption of 12.5%, delivery of programmes to protect the natural water environment and high quality services to support customers in vulnerable circumstances, with a significant increase in take up of its priority service register. Alongside these measures the company will be developing plans for investment in new water resources working with other companies in the South East. The package represents significant improvements for customers and will be demanding for the company to deliver, particularly in the uncertain economic and environmental context. We commend the company for accepting the challenge, and look forward to working to advise and challenge them on delivery.

Revised draft Water Resources Management Plan (rdWRMP)

Our report for AWLs board on this exercise found that the company secured a significantly greater level of engagement and participation in its rdWRMP consultation exercise than it did for the first dWRMP exercise in 2017/18. Customer and stakeholder responses showed strong levels of support for the rdWRMP plan overall. We considered the company had, broadly, engaged customers effectively and appropriately on future/long term issues relating to water resources. The company was transparent in publishing its plans, and sought to make the presentation accessible to a wide range of people from individual customers to informed stakeholders. CCG members' advice had been acted on and appeared to have significantly enhanced the effectiveness of the exercise. Customer insight and engagement, including with stakeholders, had informed the company's final WRMP proposals.

Overall performance for customers

The CCG received the full year 2019/20 report [7] on company performance, together with the independent assurance report, in early Summer 2020. The company's performance for customers in 2019/20 again seems to be a mixed picture. The company met its leakage target which was a key objective for the year, water quality results are high, and targets for availability of water and reducing the number of burst mains were met. However the company did not meet its PCC target and has incurred a penalty. The company also reports, supported by CCW briefing, that the number of complaints has continued to decline. However, by the end of Q2 AWL had significantly failed to meet its annual performance target for the number of planned interruptions where customers had not been notified in advance, and by the end of February it had exceeded the annual target for the number of properties affected by an unplanned interruption to supply of more than 12 hours (although it has not incurred a penalty). Although improved within the year its customer service performance as measured by Ofwat continues to be quite low compared to other companies in England and Wales. In light of these factors it is difficult for us to rate performance for customers in 2019/20 as overall 'green'.

[7] https://www.affinitywater.co.uk/docs/Affinity_Water_Limited_2020.pdf

Leakage reductions

The Company achieved its final year leakage target. In January 2020 we scrutinised and challenged the company's action to improve its management of leakage reduction where after failing to meet its targets in 2017/18 and 2018/19 the company has pledged to customers that it will catch up this year and achieve its 5 year leakage reduction target by end March 2020. The company comprehensively outlined its plans to improve performance in the year with faster response times to reported leaks welcomed by customers and this has delivered results.

Drought

During 2019/20 AWL faced the risk of needing to introduce restrictions on water use. It has kept us fully briefed, and had this been a necessity our advice would have been sought on the approach to communication with customers. We have advised the company to maximise the opportunity of heightened public awareness in water and the environment/climate change generally. The company has engaged in a variety of higher profile communication activities on drought/water saving awareness including public policy campaigning for statutory water use labelling and social media blogs with opinion formers discussing these issues. The company considers these campaigns have resulted in a reduction in demand of 3%, underlining the potential of communication and engagement to help the company achieve its ambitious business plan goals to reduce personal consumption amongst its customers.

Water Quality

We received a comprehensive report and briefing from AWL on its water quality performance and risks and issues. Although water quality results are high the Drinking Water Inspectors (DWI) have expressed concerns about some risks of specific compliance failures. The company has outlined the action it has taken to address the risk of failure through inspections and improvements of facilities and infrastructure at key sites.

During AMP7 the company plans to replace lead pipes at 8,000 properties in its Brett supply area. We asked to review these plans, including the approach to engagement and communication with customers. We welcome the fact that the company is learning from the approach that other water companies have taken and have suggested the company considers how the customer engagement for this programme could include information and referral to other relevant sources of help for customers, eg debt advice, inclusive services, income maximisation or housing advice.

2 Summary and assessments

Inclusive Services

AWL already has a generous social tariff and achieved the BSI 18477:2010 inclusive services standard in February 2019. It has committed to maintain this accreditation until 2025, one of only 8 water companies to meet this standard. Since submitting its PR19 business plan the company has strengthened its performance commitments in this area and has a comprehensive suite of new and expanded performance and other commitments relating to inclusive services and support for customers in financial difficulty, as summarised in section 5. AWL has accepted Ofwat's request that all water companies achieve a significant increase in customers registered on their priority services register by 2025.

We have continued to have a sub-group of members to focus on Inclusive services, agreeing refreshed terms of reference in Autumn 2019 and involving new members who have joined the CCG. It has reviewed how the company is planning to implement all aspects of its Inclusive Services strategy and changes to its social tariff and will keep this area under review.

Water saving and consumer behaviour change programme

We have challenged the company on whether it is on track to fully achieve the water resource savings it projected in its business plan by 2020. The 2018/19 performance report [8] showed the company achieved its targets for reducing abstractions and per capita consumption, but not leakage. The company has met its leakage target but failed to meet the PCC reduction required. An investigation into the PCC usage has shown the increase to be primarily due to the level of unmeasured consumption (combined with demographic effects) along with some impact from Covid-19 (10%) and a drop in meter installation rates (7%). A full report was submitted to Ofwat on 15th July."

We have reviewed the company's plans for activities in 2020/21 to engage consumers with water saving, including through the continued meter installation programme. The company seems to us to have made good use of internal and external insight and evaluation as to what is likely to work and be effective.

Value for Money survey

AWL has continued to run the Value for Money survey and reported results to the CCG throughout the year. Against a target for the VFM index of achieving 67.8 consistently results for all quarters were all above this at 69.8, 69.6, 70.6 and 69.8 respectively. The company has decided that it will continue to run a revised Value for Money survey to 2025. The CCG was consulted about a revised future approach to this survey and supported the company's proposed revised survey question design.

Performance Reporting

Affinity Water is committed to publishing information about and being accountable for its performance to customers to inform, engage and generate trust. We commented on the approach to drafting and presentation of an annual performance report for customers covering 2018/19, normally published by July each year. Although there was a delay in publishing the customer facing report and within the year monthly performance data for customers the company had caught up with both of these by March 2020. We recommend the company ensures that all its in-year(monthly) performance reports for customers are kept up to date, as well as looking at how their impact can be improved.

Over the past few years CCG members have made a number of suggestions for improvement in the reporting of performance. We have also advocated the company evaluates customer and stakeholder use of the performance information it publishes, ensuring it is used by and is regarded as useful to customers, including the monthly online reports of water quality and the community level information presented monthly and annually. We have also recommended the company includes more governance and high level financial reporting in its future customer facing reports to enhance transparency and accountability and considers adding carbon reduction to the matters covered in reports for customers and stakeholders.

Accountability and stakeholder engagement

AWL has sought advice from the CCG on ideas for developing a new approach to communication and engagement with customers and stakeholders, and consulted us about developing a statement of Company Purpose as is now required by Ofwat and also the UK Corporate governance code. We would like to work with the company to help it finalise how it will deliver on these aspirations and measure achievement and impact.

Community focus/Community strategy

Affinity Water has set out a vision to be the 'leading community focused water company' in both its current and future business plan. We noted last year that the Affinity Water Executive had reviewed the approach to this issue and that the Board of Affinity Water has established a committee to oversee the delivery of the 'community focus' vision and consulted the CCG and customers about the way forward. We would like to hear more from the company about this, and help the company to outline how this vision can be realised in practice, and achievement and impact measured.

[8] <https://www.affinitywater.co.uk/docs/corporate/Our-Year-In-Review-2018-19-March-20.pdf>

3

Affinity Water's Future Business Plan 2020-25

This section of the report summarises the key PR19 activities the CCG has been involved with in 2019/20. Our previous annual reports and our September 2018 report for Ofwat have covered our activities in earlier years. [9]

Our primary work on PR19 [10] was completed by the start of this year when we submitted a supplementary report to Ofwat on 1 April 2019 [11]. This provided assurance on some key aspects of AWL's response to the 31 January 2019 Initial Assessment of Plans (IAP). Our annual report for 2018/19 set out a summary of that process, and our comments.

Throughout 2019/20 AWL has kept the CCG briefed on its progress with PR19 which has featured at all our meetings. AWL has also sought our advice on specific aspects of implementation for the future relating to a new measure of customer views of the value for money of AWL's charges, and development of the briefs for new CCG sub-groups, one of which will have the role to provide assurance to Ofwat of effective delivery by AWL of a number of local environmental innovation projects. Satisfactory delivery of those projects will enable AWL to earn a financial reward (Output Delivery Incentive or ODI).

Ofwat's draft determination was published on 18 July, following which the company made a number of representations to Ofwat and undertook further research with customers, particularly in relation to the affordability of proposed bills and acceptability of proposals for performance payments/rewards.

In December 2019 Ofwat made its final determination on the performance AWL should deliver to customers, and the amount it can charge them, for the five year period starting April 2020. In February 2020 AWL agreed to accept this decision. The final outcome of the price review includes a 5.5% reduction in average household bills by 2025, a reduction in leakage of 20%, a reduction in personal water consumption of 12.5%, delivery of programmes to protect the natural water environment and high quality services to support customers in vulnerable circumstances, with a significant increase in take up of its priority service register. Alongside these measures the company will be developing plans for investment in new water resources for the future, working with other companies in the South East.

In many areas the company has committed to go much further in reducing prices and improving services than it had in its original business plan at September 2018, and its revised plan at April 2019. For example, the company originally proposed a real terms increase in average household bills of 2.1% (by 2025). It subsequently revised this to a reduction of 1.6% by 2025, and has now accepted an Ofwat determination of a 5.5% reduction. The factors driving these differences primarily lie in

different expectations and assumptions about levels of costs, profits and dividends which are matters that were outside our remit to review, although we noted at 'Revised plan' stage AWL shareholders had undertaken not to draw any dividends from the company for a 7 year period, until 2025. [12]

On leakage AWL initially proposed a 15% reduction over 5 years, which was then revised to 18.5% and it has now accepted a performance commitment of a 20% reduction in leakage. The company has also stated its ambition to be ranked in the top quartile for its customer service performance. These commitments will be welcome to customers and demanding for the company to deliver consistently over the next five years. If achieved they will represent significant improvements for customers. As noted below AWL did not meet its leakage reduction target in 2018/19, has above average leakage per property and had the 4th highest leakage in 2018/19 in terms of litres per property per day. We also understand it is ranked 13th out of 17 for customer service in a new customer experience measure – CMEX -being introduced by Ofwat from 2020. We commend the company for accepting the challenges Ofwat has set it.

As the PR19 decision process concluded for AWL in February 2020 further evaluation is planned in 2020/21. Members and past members of the CCG have all been given an opportunity to respond to Ofwat's evaluation survey and AWL will be undertaking further 'lessons learnt' reviews following their initial review in Autumn 2018. The CCG welcomed a senior member of Ofwat's team to their March 2020 meeting. This provided a useful overview briefing on the outcomes of PR19, underlined the value Ofwat placed on the CCG work and reports and members raised questions about Ofwat's role and approach in relation to co-ordination with other regulators, protection for the environment and use of financial penalties.

[9] <https://stakeholder.affinitywater.co.uk/ccg.aspx>
[10] PR19 is the process whereby Affinity Water's economic regulator, Ofwat, sets limits on the amount by which Affinity Water can increase its prices to customers over a five-year period. Ofwat envisaged that CCG's would have a key role in the business plan (BP) and price review process by providing challenge to companies throughout the process by which they develop their business plans. CCGs were also asked to report to Ofwat alongside the company submitting their plan to provide independent assurance to Ofwat on the quality of the company's customer engagement, and the degree to which it is reflected in the business plan.
[11] <https://stakeholder.affinitywater.co.uk/docs/CCG%20Revised%20Business%20Plan%20Report%20April%202019.pdf>

[12] AWL's response to the Draft Determination <https://www.affinitywater.co.uk/docs/corporate/AFW-Company-response.pdf> states 'no dividend will have been paid from the appointed business for seven years (2018/19 to 2024/25); equity will have been invested into the appointed business in each of the 6 years from 2019/20 to 2024/25, and £35m of additional equity and £8m of retained dividends (a total of £43m) will be invested into the appointed business in addition to the equity used to fund the investment programme'

4 Revised Draft Water Resources Management Plan (rdWRMP)

In September 2018 Affinity Water announced that it intended to undertake further consultation on, revise and re-submit its Water Resources Management Plan to government and that it would do that by Spring 2019. This 'revised draft WRMP' (rdWRMP) would replace the draft WRMP it had submitted to government, for approval, in March 2018. This clearly created some complexity as much of the Business Plan concerns water resources issues, though the WRMP concerns a much longer time period.

The company asked the Customer Challenge Group (CCG) to help the process of developing the rdWRMP by establishing a sub-group of members to review and advise on the approach to customer and stakeholder engagement and consultation, and provide an independent report to the Affinity Water Board. Our report was presented to the Affinity Water board and published on 11 June 2019. [13] We concluded that:

- Overall the company had secured a significantly greater level of engagement and participation in its rdWRMP consultation exercise than it had for the dWRMP exercise in 2018/19 with 827 individual responses received to the consultation compared to 82 in 2017/18.
- Customer and stakeholder responses showed strong support for the rdWRMP plan overall. The majority, 77%, of the 662 online consultation responses – most of which were from individual customers - supported the view that the rdWRMP allows the company to adapt to uncertainties and deliver solutions.
- Across surveys with customers and stakeholders there was strong support for reducing leakage, reducing customer consumption of water and investing in new water resource solutions if required

We considered the company had gathered good evidence which enabled it to understand its customers' priorities, needs and requirements in relation to the issues of long-term water resource issues.

We also considered the company had, broadly, engaged customers effectively and appropriately on future/long term issues relating to water resources. The company was transparent in publishing its plans, and had sought to make the presentation accessible to a wide range of people from individual customers to informed stakeholders. CCG members' advice on this had been acted on and appeared to have significantly enhanced the effectiveness of the exercise.

Overall it seemed to us that customer insight and engagement, including with stakeholders, had informed the company's rdWRMP proposals, which had a better evidence base than the original dWRMP

We noted the company had set out a high-level plan and approach for continued engagement with customers and stakeholders on its water resources management plan. This is important in view of the 'adaptive' nature of the rdWRMP. Key decisions about

strategic investment in water resources to meet demand are yet to be made but the plan outlines the process by which those decisions will be arrived at. The CCG said it would be happy to advise the company further on the detail of the customer and stakeholder engagement plan that will accompany the implementation of the agreed WRMP and the ongoing decision process.

Our report made some additional comments and recommendations for the company relating to ensuring it has the capability to communicate with all customers by email in future when their views on strategic issues, like water resources, are being sought.

The WRMP was approved on 31st March 2020. The CCG has already been approached by Water Resources South East (WRSE) and AWL to become engaged in the process of developing the next water resources plan which will be prepared on a regional basis for the 50 year period commencing 2025. Initially being developed on a voluntary basis it is expected that the requirement for companies to contribute to a regional water resources plan will become statutory in future. A representative of WRSE attended our November 2019 meeting to outline the approach to planning that all companies in the South East had agreed and in February 2020 two members of the CCG attended a WRSE stakeholder forum event. We expect to have more engagement with this exercise in 2020/21

[13] <https://www.affinitywater.co.uk/docs/corporate/Our-Year-In-Review-2018-19-March-20.pdf>

5

Current Business Plan delivery (AMP 6) and performance for customers

This section reports on the work the CCG has undertaken between April 2019 and March 2020 in relation to the current business plan, AMP6.

Our terms of reference ask us to review ‘the completeness and representativeness of Affinity Water’s ongoing customer engagement activity, the materiality of the issues raised, and how well the evidence has been used’. We are also consulted by the company on a range of issues, including the design and drafting of leaflets and information for customers and we keep the company’s performance for customers under review.

During 2019/20 we have kept a range of other matters under review as follows and discussed in the rest of this section:

- Overall performance for customers
- Leakage reductions
- Drought and AIM
- Water quality and planned lead pipe replacement programme
- Services for vulnerable customers
- Water saving and consumer behaviour change

a) Overall performance for customers

The company keeps the CCG informed about the achievement of its AMP6 performance commitments by providing a regular company report and specific presentations at each meeting of the Group. This enables members to scrutinise and challenge the results within the year.

We received the whole year (2019/20) performance results in July 2020, together with the report of the independent assurance provider, WS Atkins. As noted above, the company did not achieve its PCC target in 2019/20. In addition, Affinity’s performance on customer service [14] has been quite low compared to other companies in England and Wales.

During 2019/20 the company has reported its unaudited performance for customers against its regulated performance commitments to us. These results are also published to customers on a monthly basis. Performance against AWLs business plan commitments has again been a mixed picture [15]. The Company met its leakage target which was a key objective for the year, water quality results are high, and targets for availability of water and reducing the number of burst mains were met. However the Company did not meet its PCC target and has incurred a penalty. By November 2019 the company had already exceeded significantly its annual target for the number of customers not notified of planned interruptions to their supply. And by February 2020 the number of properties experiencing an unplanned interruption greater than 12 hours had also been exceeded.

The Consumer Council for Water briefed us that the volume of complaints about AWL has reduced since 2016/17. There are also significant opportunities for AWL to improve customer service performance. Throughout this year the company has shared results from the ‘shadow’ reporting of a new measure of customer experience (C-Mex) which will be used by Ofwat in future instead of ‘SIM’ (the Service Incentive Mechanism). Average customer satisfaction scores for Affinity Water have improved within 2019/20, the company achieved its highest position in Q4, ranked 13th out of 17 water companies on this comparative measure. The company’s business plan makes significant commitments to improve customer service.

During the past year the company has clearly been looking at how it will deliver the ambitions in its future business plan, there have been some significant changes in leadership and organization and a new culture and approach adopted. There is a clear ambition to achieve much better customer service performance results, when compared to other water companies. The Business Plan makes a commitment to achieve upper quartile performance on customer service. We welcome the company’s initiative to ask the CCG to advise on the programme to achieve this, through a new sub-group of the CCG on ‘Customer Strategy’.

There seems to be a strong relationship between operational impact and response – for example speed of dealing with leaks and experience of interruptions to supply – and customer satisfaction and views. For the customer service strategy to be effective it will rely on effective operational/engineering delivery.

b) Leakage reductions

Customers regard tackling leakage as a really high priority. Affinity Water’s current business plan commits them to reduce leakage by 14% by the end of 2019/20, with targets set for each year between 2015 and 2020. In May 2019 the company briefed us that it had not met its performance commitment to reduce leakage in 2018/19. We asked that the company should clearly communicate what action it would take to deliver the promised leakage reductions. On 2nd July the company published an open letter apologising to customers in the Evening Standard and on the AWL website.

We were subsequently advised at our July meeting that Affinity Water had also not met the target leakage reduction in 2017/18, and needed to revise previously published figures. The company assured us that it aimed to fully meet its 5 year leakage reduction target by the end of 2019/20, therefore catching up.

In January 2020 we sought assurance on and reviewed the action the company was taking. The company has restructured the way it approaches leakage management including increasing the number of repairs it undertakes to customer supply pipe leaks and improved repair times. The company also advised us that faster response times to reported leaks had seemed to improve its customer satisfaction ratings.

The CCG was therefore very pleased to see that the Company did meet its 2019/20 target.

We have also asked the company to publish its policy on repairs to customer supply pipe leaks so it is clear where and how the company draws the line in deciding which leaks it will repair at no charge where the customer is ultimately responsible. We would like to hear more about how the company is supporting customers to get repairs done themselves, for example, with information about appropriate plumbers.

[14] Comparative information about the results of the Service Incentive Mechanism can be found on the WaterUK website ‘Discover Water’ <https://www.discoverwater.co.uk/customer-experience-rating>. Ofwat and CCWater have also published a ‘scorecard’ of comparative performance data for the water sector <https://www.ofwat.gov.uk/publication/water-sector-ukrn-performance-scorecard/>

[15] The company provides the CCG with unaudited reports of performance ahead of each of our meetings in the year. This comment is based on reports up to February 2020

5 Current Business Plan delivery (AMP 6) and performance for customers

c) Drought, and AIM

Throughout 2019/20 there has been a significant risk that AWL would need to instigate formal measures to restrict use of water either through a 'Temporary Use Ban' (TUB) (which is most commonly known as a hosepipe ban) or a 'Drought Order' which would have a more extensive range of restrictions on water use. This issue has therefore been on the agenda and covered in company reports for each of our meetings. During Autumn 2019 we were advised that the company did not actually need to impose a TUB, or seek a drought order, but it might need to consider imposing a TUB from Spring 2020 at which point communications with customers would need to be ramped up significantly. By the end of the year this need had waned further due to the significant rainfall and recharging of underground aquifers which provide 60% of AWL's water for supplies. [16]

Members have taken a particular interest in the communications plan, and advised the company to maximise the opportunity of heightened public awareness in water scarcity and the environment/climate change generally. Through this year the company has engaged in a variety of higher profile public communications on drought/water saving awareness, including public policy campaigning for statutory water use labelling and social media blogs with opinion formers discussing the issues. The company considers these campaigns had resulted in a reduction in demand of 3%.

In view of the risk of the company needing to obtain a Drought Permit/Order we were asked in September if the CCG would support the company requesting that the Abstraction Incentive Mechanism or 'AIM' would not apply once a drought permit/order application has been granted by the Environment Agency. The AIM scheme's objective is to provide AWL with financial incentives to abstract less water than they are legally entitled to from environmentally sensitive

sites – particularly chalk groundwater sources - during periods when there is less water potentially resulting in low river flows. The company indicated that if it failed to comply with AIM from April 2020 onwards it could be asked to pay a penalty of up to £385,000 equivalent to 11 pence per customer billed. We considered this question carefully and in some detail. We advised AWL that it was not clear to us why the operation of the AIM scheme should be suspended in the circumstances the company proposed, or that there was evidence such a move would be supported by customers, who research has found are supportive of the goals and features of the AIM scheme, including the application of financial penalties. [17]

We saw that a case could be made that it would be unfair to penalise the company for using its abstraction licences to their full extent in a situation where it was fully meeting all its other performance commitments on water resources and it had no other option open to it to meet customer needs for a continuous supply of water. It is possible that in such a situation many customers would prefer to see the amount of any financial penalty due invested instead in addressing the underlying problem.

At the time of finalising this report it seems unlikely the company will need to seek a Drought Permit/Order in the short term, and therefore it may not seek the suspension of AIM. It was however good practice for the company to consult us and the evidence of customer views from its own Willingness to Pay research proved valuable.

d) Water quality and lead pipe replacement programme

In November 2019 we received a comprehensive report and briefing from AWL on its water quality performance and risks and issues. This highlighted for us that although water quality is high there have

been some concerns raised by the Drinking Water Inspectorate (DWI) about risk of specific compliance failures at some reservoirs. We have been assured of action the company is taking to address the risk of these through inspections and improvements of facilities and infrastructure at key sites. This includes replacing and cleaning sampling points.

As part of our review of water quality we have also looked at the company's plans to replace 8,000 lead pipes in its Brett (in Essex) supply area in the next few years. This programme links to the DWI strategy to have a lead-free society by 2025. AWL estimates there are around 260,000 lead communication pipes in the parts of its supply area where there are older properties. We are particularly interested in how the company is approaching the communication and engagement with customers so as to avoid undue alarm/anxiety, whilst also securing engagement and consent from affected customers.

The company provided a full briefing and discussion at our November 2019 meeting. We welcomed the fact that the company is learning from the approach that other water companies have taken in the presentation of information and approach to engagement and communication in communities affected. We have suggested the company considers how the customer engagement for this programme could include information and referral to other relevant sources of help for customers, eg debt advice, inclusive services, income maximisation or housing advice. We also noted that the company is procuring contractors from small local firms in the areas in the programme.

We are pleased that the company will be able to continue to use and report against the measure of water quality called 'Mean Zonal Compliance' (MZC) alongside the new measure being introduced by the Drinking Water Inspectorate. MZC produces a simple single percentage 'compliance' figure which will be much easier for consumers and stakeholders

to understand than the CRI indicator which involves judgements about risk and is more relevant to guiding the actions and interventions of the company and its quality regulator than providing simple clear information for customers.

e) Inclusive services - services and support for vulnerable customers

The CCG has played a role in advising on the company's future approach to delivering 'inclusive services' to customers who are in vulnerable circumstances whether through financial or other need. A sub-group of the CCG reviewed the company's plans for an Inclusive Services Strategy ahead of the business plan submission in September 2018. We also reviewed the company responses to Ofwat action points relating to performance commitments on services for vulnerable customers in Spring 2019.

We have previously noted that the company obtained accreditation to the BSI 18477:2010 inclusive services standard in February 2019. It has committed that it will maintain this accreditation throughout the life of its next business plan, until 2025. This has become a performance commitment in its Business Plan and AWL is one of only 8 water companies to have obtained this independent accreditation. The company also decided to strengthen its initial proposed performance commitments in this area and accepted Ofwat's requirement that all water companies achieve a significant increase in percentage of customers registered on their priority services register.

A sub-group of members to focus on Inclusive services has met throughout this year, agreeing refreshed terms of reference in Autumn 2019 and involving new members who have joined the CCG. In February 2020 the refreshed group looked at how the company is planning to implement all aspects of its

[16] At March 2020 AWL's website advised customers that 'since overall rainfall has been significantly above average and we predict groundwater levels will continue to rise until the Spring if the rainfall continues. This means we are not in a water supply drought and we will not need to introduce water restrictions (also known as a hosepipe ban) this Spring.'

[17] ICS PR19 WTP and ODI Research Programme Report, June 2019

5

Current Business Plan delivery (AMP 6) and performance for customers

Inclusive Services strategy and changes to its social tariff. The company has a comprehensive suite of new and expanded performance and other commitments in this area and in relation to customer accounting and debt recovery.

In addition to securing 7.2% of its customers registering on its 'priority services register' and securing high levels of satisfaction amongst those customers and customers in financial difficulty AWLs business plan commits that:

- 12,000 customers will benefit from a 'breathing space' (suspension of debt recovery action to organise personal finance issues)
- up to 3,5000 customers per year will benefit from the social tariff
- an additional £0.4m per year will be spent on the Customer Assistance Fund (which provides one-off and matching payments)
- a 'Trust Fund' will be set up for customers in severe financial hardship with £0.1m investment per year to help 'extreme poverty' with an independent panel making decisions
- a 'vulnerability panel' will evaluate the 'ease of effort' to use the company's services undertaking an audit twice a year, aiming for a score of 4.8
- Up to 5,000 customers will benefit from a home visit to assess their needs
- A web page will be developed for partner organisations on help with debt and support for vulnerable customers and their input will be sought to staff training.

In addition AWL aims to make it easier for customers to pay their bills, and to automate transactions, it aims to increase registrations on the 'My account' online service to 50%, increase direct debit/secure (ie card) payments take up to 68% and increase to 53% customers in debt with a payment plan.

CCG members have reviewed and provided advice on these plans and particularly discussed the challenges the company faces to increase PSR registrants. We will continue to keep this area under review through 2020/21.

f) Water saving and consumer behaviour change

AWL needs its customers to make significant and enduring changes in their personal consumption of water. An extensive metering programme continues for the next five years with almost 250,000 further meters to be installed. However, average water use (litres per person per day) is still above the target AWL has to achieve. AWL's customers' per capita consumption remains high [18] within the water industry, and water resources are scarce in the region. Over the past year water scarcity has been highlighted particularly by dry river beds in parts of AWLs supply area. Going forward the company has to meet more challenging targets to reduce its customers' personal consumption. The company needs to find an approach which results in changes in customer behaviour which are engaging, effective and enduring. This year we asked to review AWLs plans and advise the company on its approach. CCG members offered to assist the company by reviewing the effectiveness of initiatives the company has piloted in 2017/18. A sub-group on 'Behaviour Change' was established during the year which met with the company on 6 November 2019 and 4 March 2020.

The company has been fundamentally reviewing its water saving programme, evaluating its data and the effectiveness of its programme of outreach campaigns and offers of 'free' water saving devices. We have welcomed the approach being taken to 'reset' the programme and ensuring future activity is based on evidence of what works and is most effective. At the March 2020 meeting of our sub-group we were pleased to see a programme of activity based on data insights, with clear goals for each part of the campaign. Our sub-group on this issue will continue to meet with the company through 2020/21.

In relation to the metering programme we have previously flagged up concern about the proportion of newly metered customers that could be significantly worse off when they move to measured charging, raising implications for future demand for the assistance the company offers customers who have difficulty paying their bills. We will also want to keep the financial incidence effects of the metering programme and the company's response under review.

[18] <https://discoverwater.co.uk/amount-we-use> Average consumer consumption is 143 litres per person per day in England and Wales. Affinity Water's customer average is 159 litres per person per day, which is the second highest within the industry.

6

Other issues examined by the CCG in 2019/20

There are six other issues we have considered this year which relate to broader issues of the design of customer insight tools, and communication and engagement with customers and stakeholders.

a) Future of the value for money (VFM) survey

AWL has a current business plan performance commitment to survey its customers about their views of the value for money of services provided by the company. This is a reputational performance commitment in the current business plan. The company is aiming to achieve a result on the 'index' produced by the survey of 67.8. No financial rewards or penalties are attached to running the survey, or the results. Through 2019/20 the company has reported results from this quarterly survey to us in the 'company report' for each of our meetings. Results have shown a stable result, higher than the company's target index result in each quarter, with the results in the past 12 months improved against those in 2017/18 and the start of 2018/19. [19]

The CCG terms of reference have included advising on the methodology for conducting this survey and at various times since its inception we have challenged the company on the usefulness of the methodology being used and, more importantly, how the company was actually using the results within the business. Until now the regulatory survey for the Service Incentive Mechanism ('SIM') has attracted much more management attention, though it is more narrow in scope and focus. A new regulatory measure of customer views – CMEX - starts in 2020. This draws on a wider range of data and views from a sample of all customers, not just those with recent contacts with the company. We therefore supported the company's decision to end the use of the VFM survey in 2020 in its current form as there appeared to us to be duplication of scope.

AWL subsequently decided to continue to run a revised VFM survey, undertaking to Ofwat that it would re-design the survey in consultation with the CCG. We formed a sub-group for that purpose which met with the company in July and November. At our meeting in November we indicated we were content with the question the company had drafted.[20]

The new survey will commence in 2020/21. AWL is required to undertake the research annually with a telephone survey of 1000 customers (the former VFM survey was rolling/quarterly and involved a larger sample of 1900 customers over a whole year). The result is to be presented as a score out of 10. The company is expected to achieve results of 7.6 in 2020/21 moving to 7.80 in 2025, though there is no financial reward linked to this. The present survey – based on an index created from a basket of responses to different questions – is arguably not directly comparable with the future survey approach. There may be opportunities for comparison with CCW research which establishes the perceived value for money of all water company services.

Going forward the challenge for AWL, as with the current VFM survey, is to show how the results are used by the business to drive or change any action or delivery. The Business Plan sets a clear aspiration to be increasingly an insight driven business. Going forward the CCG will be interested to understand how the new VFM survey is used as part of that ambition and how other goals in the business plan to develop increasing personalisation and segmentation and improve accountability to customers and stakeholders are implemented.

b) Performance reporting

Our terms of reference ask us to scrutinise, from a customer perspective, assurance reports Affinity Water receives on its performance against its AMP6 Performance Commitments and to comment on communication material to customers.

Affinity Water reports annually on its business plan performance to Ofwat and has committed in its Business Plan to report against 'Measures of Success' at a community level as well as at a company level so as to 'enable customers within their communities to judge how well we are meeting their expectations and hold us to account'.

This commitment has taken the form of an annual report aimed at customers and stakeholders, in addition to the company's formal annual report and accounts [21] Through the year information on performance is published monthly on the company website, and broken down by the 8 water resource zones (WRZ) or 'communities', that Affinity Water serves. Some performance data is also available to customers through postcode searches (water quality for example).

At our May 2019 meeting we considered the company's performance out-turn for 2018/19 and plans for publishing the information for customers. We made a number of suggestions for improvement in content and presentation of the proposed annual report [22]. We also advocated evaluation of the use of the information so the company could assess the best format and approach to presentation in future. We have also highlighted in the past that the WRZ based reporting to customers does not relate to communities as AWL's customers understand them.

It is disappointing that the annual performance

report for customers, for 2018/19, was not actually published until March 2020. There also seem to have been significant delays within the year in the publication of monthly performance information.

We further considered these issues in January 2020 as the company consulted us, and other stakeholders, on its annual Risks, Strengths and Weaknesses Statement and its Monitoring Framework. Both documents reference the role of the CCG in the company's assurance process. The Chair responded formally to these consultations. The response welcomed the company statement that customers strongly support clear accountability for performance and that Affinity Water Limited wants to be open with customers and stakeholders about performance, generating trust and confidence and the commitment to ask customers and stakeholders for views on the way the company assesses data and information and presents performance information.

However, in relation to Weaknesses the CCG Chair's response urged the development of a new approach so that AWL produces a coherent, timely, accessible range of performance information for customers and stakeholders. This is key to activities designed to enhance accountability and trust and underpins initiatives around the new Company Purpose and what that is intended to achieve. Inconsistent approaches to the presentation and accessibility of performance data undermines the potential for reporting to improve accountability to customers and stakeholders. It could be easier and simpler for customers and stakeholders to find all key data too – currently some data can be retrieved from the company website with post-code searches and other data is presented in fairly complex flat tables, with some delay in data appearing.

[19]
[20]

VFM index target is 67.8 - Q1 result 69.8; Q2 result 69.6; Q3 result 70.6.
The question customers are to be asked is: "Thinking about your water supply service, overall how would you rate the value for money of the services you receive from Affinity Water?"

[21]
[22]

https://stakeholder.affinitywater.co.uk/docs/Company_Performance/Our-Year-In-Review-April-2019.pdf
See Minutes of 13 May CCG meeting

6 Other issues examined by the CCG in 2019/20

AWL clearly recognises the scope for improvement of public facing performance reporting in the PR19 Business Plan where a number of commitments have been made to improve this [23]. The development of a new approach to performance reporting need not become a long drawn out exercise. The company should set a firm deadline for getting to the 'new' approach. Even with the need for some strategy development around a 'new' approach there are some immediate improvements that could be made to the existing reporting – for example to make the 'community level' reporting more accessible and timely – for example allowing postcode or place based searches as exist for water quality - and to ensure as a minimum that the annual performance report is produced promptly as soon as possible after the end of the year in question and circulated to stakeholders.

c) Improving accountability and stakeholder engagement

In the past year AWL has been undergoing significant internal change and re-organisation, including developing a new approach to its communications with customers and stakeholders, and developing a statement of Company Purpose as is now required by Ofwat and also the UK Corporate governance code. [24]

The CCG welcomed, and some members took part in, an initiative to launch a Stakeholder Assembly in Spring 2019. The company also consulted us about ideas it had to form 'citizens assemblies' and asked the CCG to help by providing independent assurance

on any questions and methods used. Members provided a range of suggestions and advised the company to be clear about the purpose of assemblies, which are typically used to help decide difficult questions, and provide a meaningful outcome for participants. Members also referred AWL to sources of advice on independent accreditation/standards relating to stakeholder engagement.

The company consulted us about its work to develop a statement of 'company purpose' [25] and the Chair attended a Board strategy session to discuss the development in July 2019. Members advised the company to draw on extensive insight from customers supporting the Business Plan high level outcomes which are enduring in nature. Members also provided a range of comments at meetings and individually on the drafting of AWLs supporting commitments which underpin the agreed Company Purpose [26] which were taken into account.

d) Community strategy

The Affinity Water Limited Business Plan for AMP6 includes a vision to be 'the leading community focussed water company' [27]. The company retained this vision in its next business plan (AMP7) [28]. Last year we welcomed the significant engagement from the Board with this vision which is expected to support 'healthier communities' 'resilient environments' 'engaged communities' and 'sustainable economies'. The Business Plan also describes a number of intended actions relating to this and the company expresses the desire to adopt

a partnership approach with the communities it serves and to develop a measurement and reporting framework which will allow the company to measure how it is performing, monitor success and identify areas for improvement. It will also allow customers to hold the company to account.

The Business Plan also presented a range of Community Maps which show key data and service and investment plans for each community.

Through 2019/20 the company has continued to publish community level data about its performance so that customers and stakeholders can see how things are going in each of the 8 water resource zones or 'community' areas. The annual performance report for previous years has also included information at a 'community' level. [29] We have also been advised of the appointment of staff to 'Community Ambassador' and 'Advocate' roles, alongside their core roles.

The CCG would welcome learning how the Community Strategy is now moving forward, how it relates to other initiatives described above to develop a Company Purpose and a new approach to communication, engagement, including the potential for local 'juries' and performance reporting improvements and how the company will measure if it has achieved the vision.

e) Information and communication items

From time to time the CCG asked to review and give comments on specific customer communication materials. Sometimes this is done between/outside of meetings, and sometimes individual members of the group are involved in providing comments and feedback.

This year we have been asked to comment on revised bill designs, research stimuli and customer consultation communications and channels. We have specifically encouraged AWL to develop its use of email as a customer communication channel, greater use of this proved effective at generating a significant increase in response to consultation on water resource management plans. If the company had needed to move towards introducing Temporary Use Bans (to manage the risk of a drought) then this might have been an area the Group would have been asked to look at. We expect to review any customer facing materials setting out the outcome of PR19 which is likely to be published in Spring 2020.

f) Environment Agency performance assessment proposals

The Chair responded to a consultation from the Environment Agency (EA) about proposals to extend their 'Environmental Performance Assessment' (EPA) to water only companies. This scheme of reporting and assessment already exists for water and sewerage companies and covers issues such as serious pollution incidents, delivery of environmental improvements, abstraction licence compliance and supply/demand balance performance. The response welcomed the proposals, including the aspiration to maximise the impact of publishing water company performance information. Affinity Water's customers attach high priority to protection of the environment. We urged the EA to achieve publication sooner than the proposed 2022. We also urged the EA to look to align its reporting and publication timetables with those of Ofwat and CCWater, and work with those bodies to bring about joint reporting so that customers and stakeholders could easily see in one place all the key comparable information and assessments that could be used to judge water company performance.

[23] https://c88d1e33bf5fc84aff94-78b79c2eaff604e780b80bec40f24d05.ssl.cf3.rackcdn.com/AFW_Business_Plan_2020_to_2025.pdf

[24] <https://www.ofwat.gov.uk/wp-content/uploads/2020/01/Board-leadership-transparency-and-governance---Report-on-companies-preparations-for-meeting-the-2019-principles.pdf>

[25] See Minutes of July 2019 and November 2019 CCG mtgs

[26] The statement of Purpose was expected to be published by AWL by the end of March 2020.

[27] <https://stakeholder.affinitywater.co.uk/docs/AW-business-plan-2015-2020v4.pdf> see for example page 9. Numerous references to the community focus vision can be found in the Plan.

[28] https://c88d1e33bf5fc84aff94-78b79c2eaff604e780b80bec40f24d05.ssl.cf3.rackcdn.com/AFW_Business_Plan_2020_to_2025.pdf see for example page 4 'At the core of our business and our Plan for 2020 to 2025 is our vision to be the UK's leading community-focused water company. This reflects the importance of the way we work for and with customers and the communities we serve. We believe by understanding and responding to the needs of different communities, we can be accountable to them, at a local level, for how well we provide our services.'

[29] <https://stakeholder.affinitywater.co.uk/docs/Our-Year-In-Review-2017-18.pdf>

7

Looking ahead - the CCG's 2020/21 work programme

The work of the Group in 2020/21 is likely to be based on a further revised terms of reference reflecting the fact that our role in the PR19 process was largely complete with the submission of our Supplementary report to Ofwat on 1st April 2019 [30] and planning for the next price review, including whether CCGs have a role in that process, is not expected to start for at least 18 months. The Group's focus will therefore be more on how and how well the company is delivering for customers in the next two years and advising on new strategies for customer and community engagement and service improvement. The exception will be in the area of water resource management planning. The CCG is already engaged with the work WRSE is leading to produce a long term regional plan. This is expected to involve customer and stakeholder engagement during 2020/21 and the outcome will be a key aspect of AWLs next Business Plan.

We will continue to work with the company through sub-groups or task-based activities, provided all members have the opportunity to contribute on the issues, there is visibility of the outputs and outcomes and the overall workload of members is realistic.

In 2019 we have established four sub-groups on the following issues:

- Inclusive services
- Behaviour change
- Customer strategy
- Environmental Innovation projects

The brief for all these sub-groups is to review, advise and challenge the company on its work to deliver and improve services for customers. The sub-groups will meet 2/4 times a year as the agenda requires.

In relation to the Environmental Innovation Projects the sub-group brief additionally provides that the

CCG will have a formal role to provide assurance for the sign off of each gate on the satisfactory scope, delivery, completion and benefits realisation of eight projects to be delivered in the 2020-25 period, for which AWL will be able to earn a financial reward. The projects all concern aspects of water use and water resource conservation working in different places and with different groups as follows:

- Lee catchment project - Holistic Catchment Project
- Affordable housing (Colne)
- Targeted campaign (Brett)
- Targeted campaign (Wey)
- Faith groups – Grey Water Recycling (Pinn)
- Education methods (Misbourne)
- Education smart meters in schools (Dour)
- New Developments (Stort) [31]

Delivery of this performance commitment will be reviewed annually against a clear programme

setting out project timescales, objectives and cost forecasts. The projects will be designed to assess the quantum of natural, social, economic value created at a local level by testing different partnership models.

[30] <https://stakeholder.affinitywater.co.uk/docs/CCG%20Revised%20Business%20Plan%20Report%20April%202019.pdf>

[31] See Ofwat Final Determination document on Outcomes and Performance commitments— <https://www.ofwat.gov.uk/wp-content/uploads/2019/12/PR19-final-determinations-Affinity-Water—Outcomes-performance-commitment-appendix.pdf>

Appendix



Appendix A

CCG Terms of Reference – July 2019 (extract)

Following the substantive completion of its work in relation to PR19 by Spring 2019 the CCG's Terms of Reference were revised in July 2019, primarily to remove specific references to PR19 deliverables. The following is an extract from the revised TORs.

Role of the CCG

To provide independent challenge and assessment of Affinity Water's customer engagement and progress to deliver its business plan (AMP6); and provide independent challenge to the company and independent assurance to Ofwat on the quality of the company's customer engagement for PR19; and the degree to which this is reflected in its business plan.

To fulfil its role, the Group and the Company expect the Group to consider the following matters:

a) AMP6 performance commitments

- review how well Affinity Water is delivering for its customers, including how well it understands its customers' views and priorities and how well customer risks are managed in relation to the achievement of the AMP6 Performance Commitments;
- scrutinise, from a customer and stakeholder perspective, assurance reports Affinity Water receives on its performance against its AMP6 Performance Commitments.

b) Mobilisation and readiness for AMP7

- In relation to its readiness for AMP7, and the company's delivery for customers between 2020 and 2025, the CCG is asked to review, advise on and challenge:
- proposals for reporting to and gaining customers views on its performance against the AMP7 performance commitments
- the Company's communication and community strategies, including the development of branding designed to increase and improve customer awareness of the company and the services it provides;
- specific aspects of the company's programmes, including those in relation to securing significant changes in consumer behaviour towards water use; developing and delivering services which support customers in vulnerable circumstances and continuing to engage with customers and stakeholders on the decisions required in the 'adaptive' water resources management plan (WRMP);
- new policies, strategies and plans of interest to and likely to affect customers, communities and stakeholders;
- the completeness and representativeness of Affinity Water's customer and stakeholder engagement activity, the materiality of the issues raised, and how well the evidence and insight from customers and stakeholders has been used by the Company.
- the appropriateness of content and language of relevant customer communication and engagement material, across the range of media channels used.

c) Assurance and reporting

- The CCG will provide challenge and input to the development of Affinity Water's annual Assurance Plan by providing feedback on the company's Risks, Strengths and Weaknesses Statement published for consultation.

d) PR19

- The CCG will continue to advise on, review and assure any further customer engagement work required until the draft determination is received from Ofwat in July 2019. The CCG will consider the Company's customer engagement against the criteria in relevant Ofwat PR19 policy statements and guidance.

e) AOB

- Reporting on any other matters as requested by the Company and agreed with the CCG Chair.

Appendix B

CCG meetings and substantive agenda items

April 2019 – March 2020

CCG meetings and substantive agenda items April 2019 - March 2020

13th May 2019	CCG Meeting
	<ul style="list-style-type: none"> PR19 2018/19 performance CCG Annual report for 2018/19 Company report
13th May 2019	Sub Group on revised draft WRMP
	<ul style="list-style-type: none"> Triangulation of Customer Engagement Summary of Key Changes to Plan Looking Forward – timeline
1st July 2019	Behaviour Change Sub Group
	<ul style="list-style-type: none"> High level framework for PCC reduction programme Early Switch – cost comparison letters/impact of moving to one year switch My Account – development of on-line water usage survey
2nd July 2019	Sub Group meeting on customer research and proposed approach to the revised 'Value for Money' indicator research
	<ul style="list-style-type: none"> VFM Performance Commitment Customer Perception Survey
11th July 2019	CCG Meeting
	<ul style="list-style-type: none"> Company report Drought Community pilot projects Developing the company purpose Accountability, transparency and legitimacy
23 September 2019	CCG Meeting
	<ul style="list-style-type: none"> Company report PR19 – update Consumer Council for Water viewpoint Drought management
6th November	Behaviour Change Sub Group Meeting
	<ul style="list-style-type: none"> PCC strategy overview Home Water Efficiency checks – performance
13 November 2019	CCG Meeting
	<ul style="list-style-type: none"> Company report Water Resources South East Water quality performance Lead pipe replacement programme Company purpose – research findings Future sub-groups and TORs

13 November 2019	Sub Group meeting on customer research and proposed approach to the revised 'Value for Money' indicator research
	<ul style="list-style-type: none"> Review the value for money question Review the proposal for the customer perception survey Discuss next steps
20 January 2020	CCG Meeting
	<ul style="list-style-type: none"> PR19 Final Determination briefing and next steps Water Resources Management Plan Environment Agency consultation on Environmental Performance Assessment AWL Assurance plan and risk, strengths and weaknesses statement Leakage – performance recovery plan Abstraction Incentive Mechanism operation during drought conditions Company update – covering water saving; drought communications; company purpose, inclusive services.
10th February 2020	Inclusive Services Sub group Meeting
	<ul style="list-style-type: none"> Performance commitments PSR – challenges Financial support Customer reach
4th March 2020	Behaviour Change sub-group meeting
	<ul style="list-style-type: none"> Measurement of PCC and impact of reporting 3 year average Findings from the internal research (introduced at last meeting) Meeting plan for 2020/21
16th March 2020	CCG Meeting
	<ul style="list-style-type: none"> Ofwat – q and a Reports from sub-groups Performance Commitment Framework for AMP7 Customer Engagement Strategy CCG Annual Report 2019/20

In addition to the above CCG meetings the Chair and some members attended a number of other meetings and events in the year including the following:

- AWL's first 'Stakeholder Assembly' - 11 April 2019
- Meetings between CCG Chairs and Ofwat - 22 May and 12 September
- Ofwat future strategy conference/event - 3 July 2019
- WRSE Stakeholder events in September 2019 and February 2020
- CCWater board meeting in public - October 2019

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