



**Terms of Reference  
Affinity Water Limited Customer Challenge  
Group**

**June 2019**

# **Terms of Reference**

## **Affinity Water Limited Customer Challenge Group (CCG)**

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## 1. Introduction/Background

- 1.1 The Affinity Water Customer Challenge Group (CCG or 'the Group') was first established in 2012. Its initial purpose was to challenge and support Affinity Water Limited (AWL) during the development of the Business Plan that was submitted to Ofwat in December 2013. Subsequent to Ofwat's periodic review of price limits (PR14) the role of the Group changed to support the operational and delivery focus of the Company. Terms of Reference (ToR) approved by the Board of Affinity Water Limited in August 2014 established the Group as having the primary role to *'comment on how well Affinity Water considers customers' views and their priorities and how well customer risks are managed in relation to the achievement of the AMP6<sup>1</sup> Performance Commitments'*.
- 1.3 The Group's Terms of Reference were further revised in Summer 2016 so that Ofwat's expectations<sup>2</sup> in relation to the new periodic review of price limits, called PR19, were addressed, alongside the existing role of the Group in relation to delivery of AMP6
- 1.4 Following submission of AWL's PR19 Business Plan to Ofwat in September 2018 the Group's Terms of Reference have been further revised to reflect the on-going assurance role of the CCG regarding the Business Plan until the final determination is received in December 2019, and its role in the Company's preparation for delivering its next five year business plan, known as AMP7. Some CCG input to advance preparation for the AMP8 business planning process is also anticipated.
- 1.45 The members of the CCG and the Board of Affinity Water have both approved these Terms of Reference.

## 2. Role and expectations of the Affinity Water CCG

### Role

- 2.1 Affinity Water seeks to be the leading community focused water company. Its customers and stakeholders will ultimately decide whether it consistently demonstrates this vision. The CCG has been established to provide **advice, constructive challenge and assurance** to Affinity Water and, where appropriate, Ofwat on:
  - the approach Affinity Water is taking to putting its vision into practice;
  - Affinity Water's performance for customers in delivering its AMP6 Business Plan; and

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<sup>1</sup> AMP stands for 'Asset Management Plan' and is used as an acronym for the company's Business Plan covering a five year period. AMP6 covered the period from 2015/16 to 2019/20.

<sup>2</sup> Ofwat's customer engagement policy statement and expectations for PR19, Ofwat, May 2016

- the quality and effectiveness of Affinity Water’s customer and stakeholder communication and engagement plans, including its Community Strategy for AMP7, and for preparing for AMP8.

In relation to Ofwat’s price review (PR19), the CCG provided independent challenge to the company and provided independent assurance to Ofwat on the quality of the company’s customer engagement and the degree to which this was reflected in the Business Plan. The Group continues to provide independent challenge and assurance in relation to the company’s responses to the actions raised in Ofwat’s Initial Assessment Plan (IAP) and any other reasonable similar request until the final determination is received from Ofwat in December 2019.

## **Expectations**

2.2 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 submitted a report to Ofwat alongside the Affinity Water Business Plan on the quality of the company's customer engagement, and the degree to which this was reflected in its draft business plan on 3 September 2018.

The CCG submitted a further report to Ofwat alongside Affinity Water's responses to the actions raised by Ofwat in their Initial Assessment of Plans (IAP).

The CCG will review the customer and stakeholder engagement in relation to the further consultation on the revised draft water resources management plan and provide a report to the Board of Affinity Water in Spring 2019.

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<sup>3</sup>.

**e) AOB**

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

### **3. CCG reporting and transparency**

3.1 The CCG will produce an annual report for the Board of Affinity Water commenting on the following matters:

- the overall quality and effectiveness of Affinity Water's programme of customer and stakeholder engagement;
- the issues that have been identified through the programme of customer and stakeholder engagement;

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<sup>3</sup> Ofwat's customer engagement policy statement and expectations for PR19, Ofwat, May 2016

- the responsiveness of Affinity Water to the issues identified by customers and stakeholders;
  - the challenge and advice the CCG has provided to Affinity Water during the year; and
  - any other matter the CCG considers is relevant and should be brought to the attention of the Board.
- 3.2 The Chair of the CCG may attend meetings of the Board of Affinity Water from time to time as appropriate and agreed with the Board, and no less frequently than annually to present the CCG’s annual report.
- 3.3 The CCG may decide to and may be invited to submit other reports to the Board of Affinity Water and/or Ofwat from time to time as is judged appropriate.
- 3.4 Affinity Water will make appropriate arrangements for information about the CCG, its membership, its work, any reports that it may make and how it can be contacted to be published in suitable formats, including on a website.
- 3.5 Affinity Water will include agreed and appropriate statements about the role and work of the CCG in key external communications to customers and stakeholders.

#### **4. Membership of the CCG**

- 4.1 The CCG will be independently chaired with a membership of no more than twenty.
- 4.2 The Chair of the CCG will be appointed by the Affinity Water Limited Board on the recommendation of the Independent Non-Executive Directors who will agree appropriate terms and remuneration.
- 4.3 The Chair of the CCG will play a role in the recruitment and selection of CCG members by Affinity Water.
- 4.4 Individuals appointed to serve on the CCG will either be Affinity Water customers or have a strong connection with, and bring strong insight into Affinity Water customer and community perspectives and experiences. In order to achieve a diversity of membership, members of the CCG may be drawn from and be associated with representative bodies, interest groups or organisations that are active in the communities and areas served by Affinity Water including:
- Consumer bodies and interest groups
  - Non-household customers
  - Organisations with experience of vulnerable and special needs consumers
  - Debt advisory organisations
  - Environmental Interest Groups
  - Local /public authorities
  - Developers



- 4.5 The Consumer Council for Water is invited to nominate two members to serve on the Group, including its Local Consumer Advocate for Affinity Water.
- 4.6 Representatives from relevant Regulators and other statutory bodies will be invited to contribute to the work of the CCG and advise the Group at appropriate times including:
- o Environment Agency
  - o Drinking Water Inspectorate
  - o Natural England
- 4.7 CCG Members will be appointed to serve for terms of not less than three years, and for periods of time agreed with each member. In making appointments and re-appointments to the Group, Affinity Water will seek to strike a balance between ensuring appropriate continuity of membership and securing new members at key points in the life cycle of the work of the CCG.
- 4.8 Independent CCG members will be remunerated for the time that they give to the role during the year which includes attendance at the formal CCG meetings, any sub group or ad-hoc meetings and reviewing and commenting on documents between meetings, according to the agreed policy. Expenses incurred by members to participate in meetings will also be paid according to the agreed policy.

## **5. Governance and ways of working**

- 5.1 Through the Chair of the CCG, the CCG is ultimately responsible to the Board of Affinity Water.
- 5.2 The CCG has a working relationship with the Company's executives, where the Director of Communications, Communities and Corporate Affairs has primary responsibility for supporting the CCG's work.

### ***The Chair of the CCG***

- 5.3 The Chair of the CCG will facilitate discussions of the CCG and between the CCG and representatives of the company, making sure every member has a full and fair chance to contribute to discussions and challenge the business as appropriate;
- 5.4 In between meetings the Chair of the CCG will be the principal link between the CCG and the company, and Ofwat and will ensure that all members are kept informed and involved; and
- 5.5 The Chair of the CCG will have access to the Executive and Affinity Water Limited Board.

## *Ways of Working*

- 5.6 CCG members will be asked to sign a confidentiality agreement with Affinity Water so as to maintain appropriate commercial, Intellectual Property and personal data confidentiality;
- 5.7 Members will be asked to declare any potential conflicts of interest and a register of those declarations will be maintained and updated annually by the Secretariat. Members will be invited to declare any specific conflicts of interest arising at each meeting.
- 5.8 Members of the CCG are expected to commit to attend six meetings a year as well as ad-hoc induction, development and review sessions or sub group meetings as needed, which is not expected to be more than four other meetings/sessions a year.
- 5.9 The CCG may decide to establish sub groups or task and finish groups from time to time to review specific issues within the Terms of reference, which will report back to the CCG.
- 5.10 In addition to participation in meetings CCG members may be asked to review and comment on draft documents and other materials between meetings, in particular in relation to the design of any customer research and drafts of customer facing communications.
- 5.11 Business meetings will normally be held at the Affinity Water offices in Hatfield during working hours. Video conferencing facilities will be available via Affinity Water premises in Hatfield, Folkestone and Manningtree.
- 5.12 Affinity Water will provide the secretariat and administrative support and meet the costs of meetings. Agendas and other materials will be provided to members in a timely and accessible way. Minutes and records of meetings will be maintained and kept in a suitable format.
- 5.13 The quorum at any meeting will be one third of any of the members including the Chair.
- 5.14 The Chair of the CCG may invite the following to CCG meetings as necessary:
  - Specialist advisers and business experts from within Affinity Water or their suppliers, contractors or consultants;
  - Representatives from other water and sewerage providers in the region;
  - Regulators including Ofwat; and
  - The Affinity Water Reporter or other independent assurance bodies used by Affinity Water
- 5.15 A work programme will be established by the CCG for the year ahead and will include the report once a year to the Board of Affinity Water and any reports that are required by Ofwat in relation to the draft business plan (PR19).



- 5.16 Where it is possible the CCG will draw on written material and information that already exists within the business so as to limit the amount of unique material that needs to be generated to meet the CCG's requirements. Members will have access to independent assurance reports on Affinity Water's performance.
- 5.17 Members will be notified of, invited to attend and may be invited to contribute to customer and stakeholder events in the community organised by the company.
- 5.18 The CCG will take responsibility, individually and collectively, to ensure members have a good understanding of the main obligations, issues and priorities in the planning and provision of water services, including periodic reviews of price controls and the role of Ofwat. Affinity Water will provide appropriate support to members to enable them to achieve this, including briefings and information and induction and site visits.
- 5.19 To supplement these Terms of Reference a Protocol covering the performance and operation of administrative matters will be agreed between the company and the CCG from time to time.

## **6. Review of the Terms of Reference**

- 6.1 The Terms of Reference will be reviewed in April 2020.

## **7. Approval of these Terms of Reference**



Date: 14 June 2019

Teresa Perchard, Chair Customer Challenge Group



Date: 14<sup>th</sup> June 2019

Tim Monod, on behalf of Affinity Water