

Affinity Water Customer Challenge Group Annual Report

April 2018 - March 2019





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Introduction

I am pleased to introduce this report which covers the work of the Affinity Water Customer Challenge Group (CCG) from April 2018 to the end of March 2019.

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

In 2018/19 most of our time was devoted to our role in relation to the company's future five-year business plan for the period 2020-25 and Ofwat's PR19 process. This has involved the CCG:

- reviewing and challenging iterations of the Affinity Water proposed business plan for 2020-25, and the customer engagement underpinning it, in the run up to the plan being submitted to Ofwat on 3 September 2018;
- providing Ofwat with our independent report on the quality of the customer engagement underpinning the business plan, also on 3 September 2018³;
- reviewing and challenging Affinity Water's responses to Ofwat's Initial Assessment of Plans (IAP) issued in January 2019;
- providing Ofwat with our independent supplementary report on Affinity Water's responses to the IAP, on 1 April 2019⁴

Alongside the production of their next business plan Affinity Water decided to revise its long term plans relating to management of water resources (which covers the 60 Year period from 2020 to 2080). This 'Water Resources Management Plan'(WRMP) was initially submitted to the government for approval in Spring 2018. The company subsequently decided to undertake revisions to this plan in light of proposals in its Business Plan relating to the development of water resources. Further consultation and engagement took place with customers and stakeholders between September 2018 and May 2019. The Affinity Water Board asked us to advise on, review and challenge the consultation and engagement exercise for the revised WRMP. Most of our work on this took place before the end of March 2019, though our report was presented to the Board on 5 June 2019.⁵

We have kept a range of other matters under review, including: the company's action to improve its performance on supply interruptions both planned and unplanned; progress with the water savings household metering programme; communications with customers, particularly in relation to the winter chill campaign and annual performance report; local community engagement and the company's community strategy.

Section 2 brings together our key assessments of each issue we have considered this year. In making our assessments the CCG has been mindful of our brief to challenge and advise. It is not our job to tell the company precisely how it should deliver its services – we look at whether the company's plans and approaches are based on a really good understanding of customers' views, and challenge them to show they are listening to and acting on customer feedback.

Section 3 provides general information about the role of the Group and how it operates.

Sections 4 and 5 report on our work relating to PR19 and the revised draft WRMP

Section 6 reports on the other matters we have been able to consider in the past year.

Section 7 looks forward to the work the CCG expects to be doing in 2019/20. The work on preparing to implement the next business plan from 2020 will be a significant area of focus for the Group, including reviewing:-

- how the company plans to secure significant changes in consumer behaviour to reduce average personal water consumption by 12.5% by 2025;
- how well the company's new policies and practices to support customers who are vulnerable, or who have difficulty paying their bills, are being implemented; and
- the further development and delivery of the company's community strategy designed to achieve the vision of being the leading community focused water company.

I would like to thank the company for its openness towards the CCG, for providing us with regular briefing and presentations and sharing its thinking on how it intends to improve customer service. Affinity Water independent board members, the Chief Executive, Directors and other senior staff have regularly met with us and attended our meetings during the year.

Finally, I would like to thank all the members who have served on the group in the past year. 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 by providing constructive challenge – acting as the grit in the oyster to improve Affinity Water's delivery for customers. CCG members look forward to continuing this role.



Teresa Perchard
Chair
Affinity Water
Customer Challenge Group

¹AMP 6 stands for Asset Management Plan and refers to the company's 5 year regulated business plan covering the period 2015-2020

²PR19 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://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%20%20September-11am-Linked-Version.pdf>

⁴<https://stakeholder.affinitywater.co.uk/docs/CCG%20Revised%20Business%20Plan%20Report%20April%202019.pdf>

⁵<https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-WRMP-REPORT-31-MAY-2019.pdf>

Key messages and assessments

PR19

- We undertook significant work to review and challenge Affinity Water's (AWL) business plan and customer engagement before it was submitted to Ofwat on 3 September 2018. In our report for Ofwat submitted on the same date we judged that AWL had met almost all of the tests we had used to assess the quality of customer engagement underpinning the plan – we rated 15 of our 'test areas' out of 18 as 'Green'. However, we did not consider Affinity Water had fully addressed three aspects in its customer engagement and business plan proposals. These areas were effective customer engagement on long term risks, the performance commitment framework as a whole, and customer engagement on resilience. Our report explains our reasons and evidence for these judgements, and section 4 of this report also provides a summary.
- We submitted a supplementary report to Ofwat on 1st April 2019 following their initial assessment of Affinity Water's business plan as requiring 'significant scrutiny'. We provided our views on AWL's responses to 16 of Ofwat's 'action points' for them and gave Ofwat positive confirmatory assurance on the actions relating to further research with customers where Ofwat had asked for CCG assurance.



Revised draft WRMP

- We provided advice and challenge to the company on its further consultation and customer and stakeholder engagement on the revised draft WRMP. Overall the company secured a significantly greater level of engagement and participation in its rdWRMP consultation exercise than it did for the dWRMP exercise in 2017/18, receiving 827 individual responses in 2018/19 compared to 82 in 2017/18, as well as carrying out research with a representative sample of customers. Customer and stakeholder responses showed strong support (c77%/80%) 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.
- Overall it seemed to us that customer insight and engagement, including with stakeholders, had informed the company's final WRMP proposals.



Performance for customers

- The company's performance for customers in 2018/19 is again a mixed picture. Water quality results are high, and targets for reducing the number of burst mains and unplanned interruptions to supply have all been met. The company also reports that complaint numbers have continued to decline and that customer ratings of contact with the company has also continued to improve. The performance results for 2018/19 also suggest that the action taken to improve handling of interruptions to supply (following the poor performance in 2017/18) has been effective.
- However, the company did not meet its target to reduce leakage. Reducing leakage is a matter which customers attach high priority to.
- In light of this it is difficult for us to rate performance for customers as overall 'green'.



Performance reporting

- We reviewed and commented on the drafting and presentation of the 2017/18 performance report for customers which was published in July 2018. We also took account of the comments made by the independent Reporter (who is engaged to provide independent assurance on the data within Affinity's performance reports).
- The company could continue to improve its approach to reporting performance to customers by evaluating 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 ensures that all its in-year(monthly) performance reports for customers are kept up to date – having observed a gap in reporting in 2017/18. We also suggested the company includes more governance and financial reporting in its future customer facing reports to enhance transparency and accountability. The 2018/19 report has made a start in this direction.



Supply interruptions performance

- In July 2018 we met with the Chairman of AWL and asked how confident he was that the problems with performance on interruptions to supply noted in the 2017/18 performance report had been rectified, and sought assurance that customers would see better and more consistent performance in future. He assured us the matter had the full attention of the Board which had sought changes in working practices to deliver better performance for customers.
- In December 2018 we scrutinised and challenged the company's action to improve its management of planned and unplanned supply interruptions and reviewed progress in improving service for customers. The company gave us a comprehensive presentation outlining its improvement plans and performance. It appeared to us this was delivering results, which is borne out by the full year performance result.



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.
- During 2018/19 members of the CCG were consulted about some aspects of a way forward for the community strategy. Whilst this work was welcome it seems to us that the company has not yet identified how it will operationalise this goal. It could, and should, do significantly more to fully realise the ambitious 'community focus' theme of its current business plan, particularly as it has maintained this goal for the future. Whilst there is some reporting of performance information according to local river catchment areas the 'community' approach has not been fully integrated into the company's communications and engagement with customers, and the river catchment based 'communities' do not resonate with customers.



Consumer behaviour change – achieving water resource savings and metering

- We have challenged the company on whether it is on track to fully achieve the resource savings it has projected in its business plan by 2020. We note that the 2018/19 performance report shows the company has achieved its targets for reducing abstractions and per capita consumption, but not leakage.
- CCG members have offered to assist the company by reviewing the effectiveness of the various consumer education initiatives the company has piloted so far aimed at securing significant changes in consumer behaviour relating to water use. We now expect to do this through a working group being set up in 2019/20.



Information and communications

- We have provided comments and advice on a number of standard customer communication items this year and given specific advice on the customer consultation and engagement relating to the rdWRMP exercise. Noting the significant increase in customer response that resulted from individual emails we strongly recommend the company puts itself in a position where it can readily communicate by email with as many of its customers as possible to provide information about services and performance as well consulting customers about future proposals.



⁶ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Minutes-18-July-2018.pdf>

⁷ <https://stakeholder.affinitywater.co.uk/company-performance.aspx> "Our Year in Review 2018/19"

CCG's role, membership, governance and transparency

The Customer Challenge Group (CCG) held six full meetings in the period covered by this report.⁸ Some members formed 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 met four times between November 2018 and May 2019. Appendix B lists the formal meetings the CCG has held, and the matters considered at each meeting.

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

PURPOSE OF THE CCG

The purpose of the CCG is set out in Terms of Reference which were approved by the Affinity Water Board in July 2016. Our purpose is to provide:

- independent challenge and assessment of Affinity Water's customer engagement and progress to deliver its business plan (AMP6); and
- 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.

The CCG Terms of Reference will be revised in 2019 to reflect the substantial completion of its work on PR19.

MEMBERSHIP OF THE CCG

At March 2019 the following people are independent members of the CCG:

- Tina Barnard, Watford Community Housing
- Keith Cane, Town and Country Housing Group
- David Cheek, Friends of the Mimram
- Gary Clinton, AgeUK Essex
- Richard Haynes, Up on the Downs
- James Jenkins, University of Hertfordshire
- John Ludlow, Public affairs and government relations professional
- Scott Oram, Glaxo Smith Kline
- John Rumble, Hertfordshire County Council
- Gill Taylor, Groundwork East.

The following members represent statutory organisations:

- Karen Gibbs, Consumer Council for Water (CC Water)
- Caroline Warner, CC Water – Local Consumer Advocate
- Jonathan Sellars, Environment Agency (until December 2018)
- Rachel Nelson (from February 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.

John Sellars, Environment Agency left the main group in December 2018 but continued to work with us as a member of the sub-group on the rdWRMP.

Keith Cane, Gary Clinton and Scott Oram will cease to be members of the Group from April 2019. We are extremely grateful for their contributions to and support for our work whilst they have been members. During 2019/20 we will be recruiting a number of additional new members to join the Group.

GOVERNANCE AND TRANSPARENCY ISSUES

In its policy statement on customer engagement for PR19 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. We have made the following arrangements to 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.
- Since September 2016 the Group has clearly identified 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 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.

- Throughout 2018/19 one of Affinity Water's independent non-executive board members has acted as a link between the Board and the CCG and been invited to attend meetings of the CCG, including the Triangulation workshops. The CCG Chair has also attended meetings of the Affinity Water Board and its Regulatory Working Group and Community strategy committee.

The CCG considers Ofwat's requirements were met. Ofwat has made no comment on or raised any concerns about the CCG's Terms of Reference and governance arrangements.

⁸17 May, 13 June, 18 July, 22 October, 19 December, 13 March 2019

⁹Customer engagement policy statement, Ofwat, May 2016

¹⁰<https://stakeholder.affinitywater.co.uk/docs/CCG/Custom-Challenge-Group-Protocol-June-Review-2019.pdf>
The version agreed in 2017 has been updated to reflect staffing changes at AWL.

PR19 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 2018/19. Our previous annual reports and our September 2018 report for Ofwat have covered our activities in earlier years.¹²

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. In December 2019 Ofwat will decide price limits for the period starting April 2020 based on business plans submitted to them in September 2018, and revised in April 2019.

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. This is, broadly, the same as a process that was adopted by Ofwat at the last price review in 2013/14 and found to be successful, although significantly more guidance was provided to CCGs at PR19.

The company submitted its business plan for the period 2020-2025 to Ofwat on 3 September 2018. The CCG also provided Ofwat with its report giving independent assurance on the quality of the customer engagement the company carried out to prepare that plan, and the extent to which customer views and priorities are reflected in the business plan¹³.

Our September 2018 report for Ofwat was based on evidence we received and had been able to review and take into account as a group between June 2016 until mid-August 2018; members' involvement in 17 meetings with the company at which PR19 was either wholly or mainly on the agenda between June 2016 and July 2018; members' attendance at some customer focus group and stakeholder consultation events, and attendance at 43 other meetings and events related to PR19, including 14 with Ofwat attended by the Chair, and 5 meetings with the AWL Board or its 'Regulatory Working Group since April 2017. A full account of all the documents and other items we reviewed can be found in our September 2018 report to Ofwat.

Our PR19 report provided our assessment of the company's business plan when judged against a number of test criteria we agreed which were drawn from Ofwat's policies and expectations on customer engagement. We judged that AWL had met almost all of our tests. We rated 15 areas out of 18 as 'Green'. As we highlighted in our September 2018 PR19 report:

- AWL amassed and used a significant evidence base about their customers' views, needs and requirements from analysis of operational data and existing research. It undertook a range of engagement with customers to help prepare its BP submission, highlighting over 15,000 interactions with customers as their evidence base. Of these 3,325 interactions were from quantitative and representative research/surveys with customers about proposals for service levels and bills.
- AWL used professional independent market research companies, mainly Ipsos/Mori and Arup, to advise on, design and undertake several pieces of research, and facilitate triangulation of the evidence base, at key stages in the customer engagement programme between June 2017 and August 2018. This provided assurance of representative and robust results in some areas.
- AWL sought to innovate in its customer engagement by using an online 'community of customers' and undertaking research with future customers and secondary school pupils.
- In keeping with its vision to be the leading community focused water company AWL set out several ways in which it intends to work with local groups, communities and stakeholders to 'co-create' and deliver aspects of its business plan, some of which would be piloted before 2020.

We considered that AWL had developed and shown an understanding of its customers' priorities, had engaged with customers on issues that matter to them, and insight from customers had informed the development of the BP. AWL had strong customer support for its proposed BP outcomes, and had presented clearly in its BP how its proposed performance commitments relate to each of the proposed outcomes.

AWL proposed to maintain and improve some aspects of its service to customers, and protection of the environment, as set out in detail in the BP.

Having challenged the company and considered all the evidence available to us and Ofwat's PR19 methodology we identified 6 of the proposed 19 performance commitments which appeared likely to be stretching for the company to achieve. These were the performance commitments related to reducing leakage, reducing per capita consumption, reducing the extent of water supply interruptions, reducing the extent of low pressure, and improved services for vulnerable customers and customers in financial difficulty (which are to be measured through satisfaction surveys).

In relation to AWL's support for customers who are vulnerable or have difficulty paying their bills the company undertook good analysis of need and planning for the services and activities proposed in its BP. The company established that customers and stakeholders support its approach in this area, and demonstrated effective engagement with relevant expert stakeholders and customers to design their services. AWL's Inclusive Services Strategy, which underpins the proposed bespoke performance commitments in the BP, will be a significant business change for AWL.

The company had evidence from a representative survey (in August 2018) that a majority of customers regarded the small increase in bills proposed as acceptable (without considering the likely impact of inflation or the level of sewerage charges). In real terms the average bill was proposed to increase in line with the growth in real household disposable income that is forecast by the OBR. The objective affordability of AWL's average bill in 2024/25, in isolation of other pressures on household incomes, was likely to be no worse than it was in 2018 if incomes rise as the OBR has projected.

However, we rated three of our Test areas 'Amber' (or partly meeting the requirements).

These related to

- effective customer engagement on long term risks (Test area 8),
- the performance commitment framework as a whole (Test area 14) and
- customer engagement on resilience (Test area 18).

In our report we explained why we did not think these aspects had been fully addressed by Affinity Water in its customer engagement and business plan proposals. We noted stakeholder and regulatory feedback on the approach that had been taken to customer engagement on future and long-term issues, including trade-offs and risks. We also did not think that AWL had engaged with customers in sufficient depth relating to long term implications, costs and benefits to inform its resilience strategy. Our view was underlined by the fact the company decided to extend the timescale for submission of its dWRMP and undertake further customer engagement in 2018/19. It was therefore clear in its business plan submission that its plans related to water resources and resilience required more consideration and consultation.

In relation to the proposed Performance Commitment Framework - the proposed outcomes, performance commitments (PCs) and levels and outcome delivery incentives (ODIs) - we were not able to assure Ofwat that all elements of AWL's proposals were supported by customers because specific customer engagement had only taken place on 7 of the 19 proposed PCs. Although 4 PCs are non-negotiable requirements of environmental and quality regulators we thought AWL could have gone further than it had in this area. More significantly AWL's customer engagement about proposed PCs and PC levels had not given customers significant opportunities to indicate choices between different service levels. Finally, AWL's actual proposals for ODI levels were only presented to the CCG late in the process and we were not able to provide assurance that the proposals reflected a suitably wide range of evidence on AWL's customer preferences, which is what Ofwat has asked us to challenge and comment on.

¹² <https://stakeholder.affinitywater.co.uk/ccg.aspx>

¹³ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Business-Plan-Report-Complete-final%202%20September-11am-Linked-Version.pdf>

PR 19 Affinity Water's Future Business Plan 2020-25 continued

SUPPLEMENTARY REPORT – SPRING 2019

On 31 January 2019 Ofwat published its Initial Assessment of AWL's business plan. It was judged to require 'significant scrutiny' and AWL was asked to review a number of their proposals and re-submit information.

The CCG was asked to provide a supplementary report to Ofwat alongside the company's responses on 1st April 2019, which we did.¹⁵

During a period of 8 weeks members of the CCG were involved with reviewing and commenting on the design of new research with customers about the acceptability of proposed bills as well as reviewing AWL's responses to a range of action points and agreeing the form and content of our Supplementary report for Ofwat.

We provided Ofwat with positive confirmatory assurance on the action AWL had taken on the two action points where Ofwat specifically asked AWL to obtain assurance from the CCG. These action points concerned undertaking further research with customers.

We noted that the company decided to revise its proposed level of charges for clean water (without inflation and sewerage charges). The average water bill was now projected to reduce by 1.6% between 2020 and 2025 (instead of increasing by 2.1% as in the September 2018 business plan) and would further reduce by 2.0% between 2025 and 2030 (instead of increasing by 3.1%).

We also noted and welcomed that AWL decided to improve and extend its performance commitments (PCs) to customers in several areas as follows:

- Increasing the level of its performance commitment on leakage reduction so that leakage is reduced by 18.5% by 2025, instead of 15% proposed in its Business Plan;
- Adopting a new performance commitment to maintain the BSI certification 18477 for Inclusive Services between 2020-25, the accreditation having been obtained in February 2019;
- Increasing its target performance levels for bespoke PCs concerned with satisfaction with services and experience of dealing with AWL amongst customers in vulnerable circumstances to 90%, instead of 82% proposed in September 2018;
- Accepting the new 'Common Performance Commitment' proposed by Ofwat in relation to its Priority Services Register (PSR), and setting a target to increase the number of customers on the PSR from 2.5% in 2018 to 7.22% of customers by 2025, instead of both the increase to 6.3% of customers proposed by AWL in September 2018, and 7% proposed by Ofwat on 31 January 2018.
- Retaining its PC to undertake an annual survey of customer perceptions of 'value for money', with appropriate changes made to the methodology for this survey, seeking advice from the CCG on this;
- Introducing a new bespoke PC on resilience relating to disruption to customers as a result of unplanned interruptions to IT systems and online services, an area where customers have experienced problems with performance in the past few years.

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 in Spring 2019. It had previously submitted the WRMP to government in March 2018.

In November 2018 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 company's proposed approach to the rdWRMP customer and stakeholder engagement and consultation. The Working Group was expected to act in an advisory capacity to provide ongoing and ad-hoc expertise to the company in the process. The Working Group was also asked to independently evaluate the proposed consultation method and approaches; evaluate how customer insight was incorporated into the Plan; and assess the need for any new or different consultation and/or research.

The company asked the CCG to give views on the following issues in relation to the rdWRMP:

- Whether the company has a genuine understanding of its customers' priorities, needs and requirements in relation to the issues of long-term water resource issues?
- Whether customer insight and engagement, including with stakeholders, on these areas has been appropriate and informed the company's final WRMP proposals?
- Whether there is evidence of ongoing, two way and transparent customer engagement on long-term water resource issues?
- Whether the company has engaged customers effectively and appropriately on any relevant future/long term issues relating to water resources?

We carried out our work on this through meetings and correspondence with the company and observed new research, including focus group discussions with customers run for the company by independent market research firm Ipsos Mori. Our report was presented to the Affinity Water board and published on 11 June 2019.¹⁶

We concluded that:

Overall the company had secured a significantly greater level of engagement and participation in its rdWRMP consultation exercise than it did for the dWRMP exercise in 2017/18 with 827 individual responses received to the consultation compared to 82 in 2017/18.

Customer and stakeholder responses showed strong support (c77%/80%) for the rdWRMP plan overall. Most, 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 final WRMP proposals.

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 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.

¹⁵ <https://stakeholder.affinitywater.co.uk/docs/CCG%20Revised%20Business%20Plan%20Report%20April%202019.pdf>

¹⁶ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-WRMP-REPORT-31-MAY-2019.pdf>

Current Business Plan (AMP 6) and performance for customers

This section reports on the work the CCG has undertaken between April 2018 and March 2019 in relation to the current business plan, AMP6. As our work on the future business plan (PR19) has grown during the year we have of necessity reduced the amount of time we have spent reviewing current performance.

In our 2017/18 Annual report we said that we wanted to focus on the following aspects of the current business plan commitments:

- **Interruptions to supply** – to seek assurance that the company had taken action to improve its performance for customers in this area
- **the community strategy;**
- the strategy **for developing services for customers who are vulnerable or who have difficulty affording their bills**
- plans to work with customers to secure significant **changes in behaviour** and personal consumption of water

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.

We have addressed all these issues during the year and an account in relation to each issue is provided below.

- Performance for customers
- Performance reporting
- Interruptions to supply
- Community strategy
- Vulnerable customers
- Behaviour change
- Information and communications

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.

We received the whole year (2018/19) performance results in June 2019 before finalising this report, together with the report of the independent assurance provider, WS Atkins and have, therefore, been able to reflect on the results, although we will explore some issues in more depth in the year ahead.

The company’s performance for customers in 2018/19 is a mixed picture. Water quality results are high, and targets for reducing abstractions, the number of burst mains and lengthy unplanned interruptions to supply have all been met. The number of complaints has reduced and customers’ ratings of contact with the company has improved.

However, the company has not achieved its leakage target in the past year. In addition whilst Affinity Water’s performance on customer service has improved since 2015/16 it continues to be below average compared to other companies in England and Wales. The index score from the company’s own value for money survey has not yet returned to the level it was at in 2015/16.

We will be looking at the company’s plans to improve performance on reducing leakage during 2019/20 – as we did for interruptions to supply in 2018/19.

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.

Each year Affinity Water produces an annual report on its business plan performance for Ofwat and publishes the results for customers.¹⁷ Through the year information on performance is published monthly, and broken down by the 8 water resource zones, or ‘communities’, that Affinity Water serves.

At our June 2018 meeting we considered the company’s performance out-turn for 2017/18 and plans for publishing the information for customers. We made a number of suggestions for improvement in content and presentation, and advocated evaluation of the use of the information so the company could assess the best format and approach to presentation.

At the time of finalising this report we have seen the 2018/19 performance results and the associated independent assurance report and been able to refer to them where appropriate in this report. We also expect to provide comments and advice on the presentation of the 2018/19 performance report for customers.

INTERRUPTIONS TO SUPPLY

We are pleased to note that AWL’s performance in relation to planned and unplanned interruptions to water supplies has improved and they met their performance commitment levels in 2018/19.

We were prompted to scrutinise this area because the 2017/18 performance results showed that the company had significantly exceeded its target for the number of properties experiencing an unplanned interruption to water supply exceeding 12 hours with 7,890 properties affected in this way, against an annual target of no more than 350. Results for the previous two years had also exceeded the business plan target meaning that across three years to 2018, 11,501 of Affinity Water’s customers experienced an unplanned interruption to their water supply which lasted longer than 12 hours, when the business plan target was 1050 across the three years. CC Water had also highlighted concerns about this issue and¹⁸ Affinity Water’s performance in restoring water supplies after unplanned interruptions, such as burst mains, was below average for the industry. In its current business plan the company outlines investment designed to reduce the risk of failures that produce the longest disruptions, it also has a performance commitment level which is at the same level it had been achieving in 2013, suggesting performance has deteriorated since that time.

We met with the Chairman of AWL in July 2018 and asked how confident he was that the problems with performance on interruptions to supply had been rectified and that customers would see better and more consistent performance in future.¹⁹ He assured us the matter had the full attention of the Board which had sought changes in working practices to deliver better performance for customers.

At our December 2018 meeting we scrutinised and challenged the company’s action to improve its management of planned and unplanned supply interruptions and reviewed progress. The company gave us a comprehensive presentation outlining its improvement plans and it appeared to us at that time this was delivering results, which is borne out by the full year result.

COMMUNITY STRATEGY AND COMMUNITY LEVEL COMMUNICATIONS

The Affinity Water Limited Business Plan for AMP6 includes a vision to be ‘the leading community focussed water company’.²⁰ In practical terms the AMP6 Plan envisages that customers will be able to judge how well the company is

meeting their expectations and hold the company to account at a community level. A programme of customer and stakeholder engagement ‘for our eight communities’ is expected to **stimulate** dialogue on local issues and give opportunities for customers to challenge the company on its performance. The company has retained its vision to be the leading community focussed water company in its next business plan (AMP7).²¹

The company has continued to publish data about its performance every month throughout the year so that customers and stakeholders can see clearly how things are going in each of the 8 water resource zones or ‘community’ areas. The annual performance report also includes information at a ‘community’ level.²² It is not however clear how much this information is used or is meaningful for customers.

In our last annual report we noted that the Affinity Water Executive had reviewed the approach to the Community Strategy and that the Board of Affinity Water had established a committee to oversee the delivery of the ‘community focus’ vision. We have also been advised this year of the appointment of staff to ‘Community Ambassador’ and ‘Advocate’ roles, alongside their core roles.

During 2018/19 members of the CCG were consulted about some aspects of a way forward for the community strategy and we received briefings and presentations at our October and December 2018 meetings. The company undertook some research with customers to find out their views on the community strategy. The CCG Chair also attended a meeting of the Board’s community sub-committee in March 2019.

AWL’s work to develop its community strategy, with significant engagement and input from the Board, was welcomed by us.

However, the company has yet to articulate clearly to us how it is operationalising its community focus goal, or how it will judge whether it is ‘leading’ in this area within the water industry. It will need to do significantly more than simply publishing performance data at a water resource zone level if it is to fully realise the ambitious ‘community focus’ theme of both its current and future business plan. It will also need to be clear what it means by ‘community’ – the river catchment based ‘communities’ used currently do not seem to resonate with customers, and stakeholders, as relating to what they see as their communities. In addition to devising and delivering an effective programme AWL will need to establish measures of comparative performance and measure results if it is to prove that it is ‘leading’.

¹⁷ https://stakeholder.affinitywater.co.uk/docs/Company_Performance/Our-Year-In-Review-April-2019.pdf

¹⁸ Delving into Water, CCWater, November 2016

¹⁹ <https://stakeholder.affinitywater.co.uk/docs/CCG/CCG-Minutes-18-July-2018.pdf>

²⁰ <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.

²¹ 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.’

²² <https://stakeholder.affinitywater.co.uk/docs/Our-Year-In-Review-2017-18.pdf>

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

VULNERABLE CUSTOMERS

We have looked at the company's services and support for customers in vulnerable circumstances, and those who have difficulty paying their bills through our work on the PR19 business plan. 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 noted that the company obtained accreditation to the BSI 18477:2010 inclusive services standard in February 2019 and has committed to maintain this accreditation throughout the life of its next business plan, until 2025. The company also decided to strengthen its performance commitments in this area as is noted in Section 3 above.

We expect to look at this area again in 2019/20 in terms of how the company is planning to implement all aspects of its Inclusive Services strategy and changes to its social tariff.

CONSUMER BEHAVIOUR CHANGE

The Affinity Water business plan states 'with population in our area estimated to grow by 0.7% per annum, our customers' demand for water will exceed the supplies available'.

To ensure that its customers have enough water available the company's business plan commits it to achieving significant savings in water use by reducing leakage by 14%, reducing the amount of water taken from the environment by 42 million litres per day and encouraging customers to use less water, with a target of a 7% reduction in average water use. Achieving all these measures is very important given the general pressure on water resources in the area Affinity Water serves. The company's next business plan makes further commitments to achieve reductions in leakage, abstractions and personal consumption.

To help it achieve its targets for water resources Affinity Water has a significant programme of meter installation in AMP6 (called the 'Water Saving Programme') which we have reviewed several times in the past 3 years. We understand that installations and per capita consumption savings from the metering programme are in line with the company's expectations, but the company's per capita consumption remains one of the highest within England and Wales.²³

Going forward the company needs to find an approach which results in effective and enduring significant changes in customer behaviour. In response to learning and insight the company added a "fast data" project to its dWRMP

plans in September 2018 which will mean that future meter installations have the capability to provide information to the company, and customers, more frequently than the present 6 monthly meter readings. Frequent information and feedback is a key requirement in any effective consumer behaviour change programme.

CCG members have offered to assist the company by reviewing the effectiveness of the various consumer education initiatives the company has piloted so far, including those with the behaviour change consultancy Hubbub, and providing other advice drawing on the expertise of CCG members. We now expect to do this through a working group being set up in 2019/20.

INFORMATION AND COMMUNICATIONS

The CCG is asked to review and give comments on 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 review:

- the 2017/18 customer performance report – June 2018,
- the 2018/19 billing leaflet – December 2018
- customer and stakeholder consultation and engagement materials relating to the rdWRMP – November 2018 – April 2019
- customer research materials relating to the PR19 process in August 2018 and the supplementary (IAP) report for Ofwat – March 2019.

We would like to look at these issues in future in the context of an overall communications strategy. We have also strongly recommended that the company improves its capability to email customers directly either to provide them with service information, including reports on performance or to consult customers about future services.

Looking ahead – the CCG's 2019/20 work programme

We expect the work of the Group in 2019/20 to be based on a 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 2019²⁴. The Group has also decided to move to more frequent, but shorter and more focussed meetings. We will continue to work with the company through sub-groups or on-off 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.

We expect to review a number of specific issues in 2019/20 which straddle reviewing current performance for customers and looking ahead to the company's plans to deliver improvements in key areas in the period 2020-25:-

- **Leakage** – Based on the 2018/19 performance report²⁵ it is clear the company did not meet its performance commitment to reduce leakage in that year. We wish to seek assurance that the company has taken action to improve in this area, and is likely to achieve its targets to 2020, and beyond.
- **Complaints and customer service** – we wish to review the company's progress in reducing complaints and improving customer service since 2016/17 and consider how performance compares with other water companies.
- **The community strategy** – the company last consulted us, and customers, about its community strategy in December 2018. We would like to review the outcome of that process and understand what the community strategy now consists of and the impact it is expected to have.
- **Communications and customer engagement strategy** – the company is undergoing significant internal change, and developing a new approach to its communications with customers and stakeholders.
- **Overall plans for implementing the 2020/25 business plan** – we expect to review and challenge the company's overall plans for implementing the business plan performance commitments for customers.
- **Inclusive services** – as a specific element of the 2020/25 business the company has made a number of commitments to extend its services for customers who are vulnerable or who have difficulty affording their bills;

- **Water consumption** – the company wants customers to make significant changes in their behaviour and the level of their personal consumption of water. This is a significant issue for AWL and much depends on them achieving reductions in water usage. We wish to review their plans and advise the company on its approach. We have understood that the per capita consumption savings from the metering programme are in line with expectations, but the company's per capita consumption remains high. Going forward the company needs to find an approach which results in changes in customer behaviour which is effective and enduring. CCG members have offered to assist the company by reviewing the effectiveness of initiatives the company has piloted in 2017/18. We have also previously flagged up concern that up to 40 % of newly metered customers could be worse off when they move to measured charging, and in some cases the impact on bills will be significant, raising implications for future demand for the assistance the company offers customers who have difficulty paying their bills. We want to keep the financial incidence effects of the metering programme under review.

²³ <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.

²⁴ <https://stakeholder.affinitywater.co.uk/docs/CCG%20Revised%20Business%20Plan%20Report%20April%202019.pdf>

²⁵ <https://stakeholder.affinitywater.co.uk/company-performance.aspx> "Our Year in Review 2018/19"

Appendix

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Appendix A

CCG Terms of Reference - July 2016 (extract) – 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.

FOR AMP 6 – CURRENT BUSINESS PLAN

The CCG will:

- **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
- **Comment on and challenge** the appropriateness of content and language of relevant customer communication and engagement material, across the range of media channels used
- **Scrutinise**, from a customer perspective, assurance reports Affinity Water receives on its performance against its AMP6 Performance Commitments
- **Contribute** to the development of a methodology to quantify customer acceptability that can be applied to the findings of an annual Value for Money survey
- Act as a **sounding board** for new policies and plans, especially in relation to improving longer-term resilience outcomes for our customers and communities.

Specific points the group is asked to address in its challenges of the company are in paragraph 4.5.

FOR PR19 – FUTURE BUSINESS PLAN

The CCG will assess the quality of the company’s customer engagement, and the degree to which this is reflected in its draft business plan. It will focus on:

- **Quality of insight:** whether Affinity Water has developed a genuine understanding of its customers’ priorities, needs and requirements
- **Quality of propositions:** whether Affinity Water has engaged with customers on the issues that matter to them; whether evidence and insight obtained from customers has informed the plan; has Affinity Water presented customers with realistic options
- **Quality of engagement process:** whether the quality of customer engagement has been on-going, two way and transparent
- **Diversity and reach:** whether the customer engagement has been sufficiently diverse, involving the use of methods appropriate and effective for engaging with a diverse range of customers
- **Future customers’ interests:** whether the company has engaged customers effectively and appropriately on future and long term issues, including trade-offs and risks
- **Current performance:** whether the company has effectively informed and engaged customers about its current performance and how this compares with other companies.

Appendix B

CCG meetings and substantive agenda items April 2018 - March 2019

| Date | Substantive items covered | Date | Substantive items covered |
|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 17 May 2018 | Additional CCG Meeting AMP7 Mobilisation Community Strategy for AMP7 PR19 in response to CCG Aide Memoire Long Term Issues and Risks Abstraction Incentive Mechanism (AIM) Meeting Expectations and challenges of other organisations | 18 July 2018 | CCG Meeting (Business Plan submission) PR19 Update from AWL Chair (Tony Cocker) Road map to 3 September 2018 Triangulation Report to end of Phase 2 PC and Bill Level Briefing Stretch on PCs Update on dWRMP and impact on Business Plan |
| 5 June 2018 | Sub Group Meeting for the Vulnerability and Affordability Bespoke Commitments Customer insight Customer Satisfaction PC proposal Social Tariff Affordability – help & support for customers Partnerships | 22 October 2018 | CCG Meeting (Post Business Plan submission) PR19 – Review of Business Plan Submission Q & A session with Pauline Walsh Comparison of Business Plans Lessons learnt & key findings from AWL Business Plan Timeline & Schedule to Final Determination PR19 – Revised dWRMP Questions on the dWRMP Statement of Response Approach to further consultation Paper AMP7 Mobilisation Community Strategy & Measurement Paper AMP6 Review of Customer Insight |
| 13 June 2018 | CCG Meeting Company Report (performance, annual review) PR19 Update on dWRMP ODIs and PC levels Deliverability/risks of Business Plan Remaining timetable of engagement | 20 November 2018 | Sub group Meeting for rdWRMP Update on revised dWRMP programme Proposal for Pre- consultation Approach to further consultation Discussion on testing for the non-technical summary and questions Discussion on Awareness Campaign |

Appendix B

CCG meetings and substantive agenda items April 2018 - March 2019 continued

| Date | Substantive items covered | Date | Substantive items covered |
|-------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 December 2018 | <p>Sub group Meeting for rdWRMP</p> <p>Consultation and Engagement Programme Timeline</p> <p>Overview of stakeholder approach</p> <p>Phase 1 pre-consultation Customer focus groups – high level findings</p> <p>Proposed approach for Phase 2 pre-consultation Customer focus groups</p> <p>Proposal for awareness campaign</p> <p>Discussion on content/design of non-technical summary & questions</p> | 11 February 2019 | <p>Sub group Meeting for rdWRMP</p> <p>rdWRMP update</p> <p>Consultation and Engagement Programme Timeline rdWRMP Pre-consultation – findings and triangulation</p> <p>rdWRMP Further consultation campaign – review of engagement material and survey questions</p> |
| 19 December 2018 | <p>CCG Meeting</p> <p>AMP6</p> <p>Company Report: overview on performance for Q2</p> <p>Update on Supply Interruptions</p> <p>AMP7 Mobilisation – update on:</p> <p>Water Savings Programme</p> <p>Community Strategy</p> <p>Insight from SIM, CMex & DMex: update</p> <p>PR19</p> <p>rdWRMP brief Status Report: update/questions</p> <p>CCG</p> <p>Discussion on Future role of the CCG</p> | 19 March 2019 | <p>CCG Meeting</p> <p>PR19 Business Plan update and review of responses to Ofwat</p> <p>Approach to CCG additional Report to Ofwat</p> <p>Overview of Ofwat's Initial Assessment and briefing on current status</p> <p>AWL response on engagement on strategic supply options (CMI.A1)</p> <p>AWL Responses to Actions on vulnerability and affordability (AV.A3-AV.A5)</p> <p>AWL Response to Actions on Value for Money PC (OC.A3)</p> <p>AWL Response to Actions on Vulnerability PCs (OC.A32/34)</p> <p>Results of quantitative survey on bill affordability (AV.A1-AV.A2)</p> <p>rdWRMP</p> <p>Update/briefing note on progress with and status of the Revised Draft Water Resources Management Plan – consultation and customer/stakeholder engagement</p> |

Appendix C

Meetings and events attended by the Chair and CCG members April 2018 to March 2019

| 2018 | Meeting |
|--------------------|------------------------------------------------------------------------|
| 5 April | Meetings with Tony Cocker, Chairman and Price WaterHouse Coopers |
| 17 April | Business Plan Focus Group observation (55+) Old Windsor |
| 19 April | Business Plan Focus Group observation (Future customers) Hatfield |
| 24 April | Meeting Jake Rigg (to discuss Annual performance review publication) |
| | Business Plan focus group observation Saffron Walden |
| 25 April | Meeting at Hatfield re ODIs etc |
| 26 April | Business Plan focus group observation Luton |
| 10 May | Stakeholder event Harrow Civic Centre |
| 15 May | Stakeholder event Elstree |
| 22 November | rdWRMP Pre Consultation Focus Group Observation, Watford |
| 27 November | rdWRMP Pre Consultation Focus Group Observation (live stream), Clacton |
| 2019 | Meeting |
| 10 January | Meetings with Lauren Schogger re community strategy |
| 14 January | Watched livestream of Essex WRMP focus group |
| 15 January | Watched livestream of Dover WRMP focus group |
| 16 January | Utility Week Customer Conference, Birmingham |
| | Ofwat 'Big Conversation' panel event/question time, London |
| 12 February | APPG Water meeting on PR19 @ House of Commons |
| 13 February | CCG Chairs and Ofwat all day meeting |
| 20 February | AWL Board Community Committee meeting |

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