



DRAFT FOR DISCUSSION
Water Forum
Terms of reference: September 2016

Severn Trent Water Forum

The Water Forum is a multi-stakeholder panel created in 2012 to challenge Severn Trent as it developed its business plan for 2015-20 (the current plan). In its continuing role, the Water Forum has an independent Chair and members either have a statutory remit or key interest in the water industry or provide specialist knowledge to support and challenge the delivery of Severn Trent's current plan, and the development of its next business plan (2020-25).

Vision

To secure the best possible outcomes for customers in Severn Trent's 2020-25 business plan.

Purpose of the Water Forum

In order to secure the best possible outcomes for customers, the Water Forum has the dual purpose to:

- Provide independent challenge of the quality of the company's customer engagement and how the outcome of that engagement (customer and stakeholder priorities) have been taken into account in the development of the 2020-25 business plan (future plan);

And

- Challenge Severn Trent to deliver the commitments it made to its customers in its current plan and any changes to those commitments (from those agreed in Ofwat's 2014 Final Determination).

However, in carrying out the latter, the Water Forum shall not duplicate the roles and responsibilities of the Severn Trent Water Ltd Board, or the Severn Trent Plc Audit Committee with regard to the company's performance or integrity of reporting respectively.

The Water Forum will report its independent view to Ofwat to inform its 2019 Price Review and Determinations. And, in exercising its role, the Water Forum may also express its independent view to the Severn Trent Water Ltd Board and customers and stakeholders of Severn Trent.

Role of the Water Forum

In order to deliver its purpose, the Water Forum will:

Current plan (2015-20)

- Receive updates on the company's delivery of the commitments it made to its customers in its current plan at the half and full financial year to inform its challenge of proposed performance commitments for 2020-25
- Challenge Severn Trent to hold itself to account and explain how performance will be improved in areas where it is not delivering the commitments it has made to its customers, drawing on impartial external expertise where required.
- Be consulted on any proposed changes to performance commitments and risk / reward mechanisms (if they vary from the Final Determination), prior to any consideration by Ofwat.
- Have the opportunity to provide an independent summary view of Severn Trent's delivery of the commitments it made to its customers in the company's annual performance report.

Future Plan (2020-25)

- Encourage Severn Trent to be innovative and efficient, in order to deliver sustainable and affordable outcomes for the benefit of its current and future customers, local communities and the wider environment.
- Provide strategic oversight of Severn Trent's approach to using customer research, insight and broader engagement techniques to understand customer priorities, needs and requirements.
- Evaluate and provide feedback on the methods of engagement and the different segments of its current and future customer base that Severn Trent has engaged with.
- Facilitate constructive discussion of priorities, and options for resolution where conflicting priorities exist (trade-offs).
- Challenge Severn Trent on its interpretation of customers' views and opine as to whether they have been appropriately reflected in its business plan. This may include striking a balance between the views of different customer types and stakeholders.
- Give due consideration as to whether Severn Trent's business plan is sufficient to meet its statutory and regulatory obligations in relation to drinking water quality and the environment, seeking the guidance of relevant statutory regulators as appropriate.
- Report to Ofwat on the effectiveness of Severn Trent's engagement process and how customer's views have been incorporated into the company's business plan.
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This will include a view as to whether the plan appears likely to be acceptable to the majority of customers.

Role of the Chair

The independent Chair will be expected to participate as a member of the Forum to:

- Ensure Severn Trent is robustly challenged, to give proportionate assurance to Ofwat.
- Facilitate Water Forum discussions in a manner that gives each member the opportunity to:
- Contribute to discussions.
- Challenge Severn Trent in its approach to customer engagement, interpretation of the outcome of that engagement and how those outcomes are reflected in its business and strategic plans.
- Understand the implications of Severn Trent's statutory and regulatory obligations for the development of its business plan.
- Work with Severn Trent to review Water Forum membership and undertake robust and independent recruitment to ensure the Water Forum has the right skills and expertise required to undertake its role effectively.
- Represent the views of the Water Forum to Severn Trent, its regulators and other parties with an interest in the services of Severn Trent.
- Maintain constructive dialogue on behalf of the Water Forum with Severn Trent's management, executive directors and non-executive directors.
- Ensure that where the Water Forum does not reach consensus on its opinion, the full range of views of members are recorded and communicated.
- Review the effectiveness of the Water Forum, and in consultation with the Water Forum its terms of reference, at appropriate stages during its operation and at least annually.
- Appoint a Deputy Chair, as may be required, to support the fulfilment of the role.
- Provide support to members in their personal development and knowledge of the Water Industry.
- Adhere to the principles of independence (see appendix)

Accountability and communication of opinion

The Water Forum has a remit to challenge, scrutinise, and advise Severn Trent on the development of its business plan and strategy, and independently report its opinion on

those documents to Ofwat. Accountability for both documents, and hence final decision making about them, lies with the Severn Trent Water Ltd Board.

- The Severn Trent Water Ltd Board or Severn Trent Plc Executive Committee may ask that the Chair attend relevant meetings to report the views of the Water Forum. In turn, the Chair may request to report to the Severn Trent Plc Board or Severn Trent Executive Committee at relevant stages during the development of the business plan.
- The Water Forum may report independently to Ofwat at any time, but will allow Severn Trent Water the opportunity to respond to any issues the Water Forum may wish to raise in the first instance.
- Minutes will be made publicly available once agreed by both the Water Forum and Severn Trent and subject to the redaction of price sensitive information.

Disclosure of information

Water Forum members may be provided with information that is commercially sensitive. Water Forum members will be asked to enter into a confidentiality agreement and act in a manner consistent with Severn Trent Plc's Continuous Disclosure and Communications Policy and Standards including express undertakings to be bound by the laws regulating the breach of disclosure obligations relating to inside information, and their inclusion on insider lists.

Membership

The membership of the Water Forum will be decided such that it has the technical expertise, experience and knowledge of the water industry and its customers, to discharge its duties effectively.

- The following organisations which have a statutory interest in Severn Trent will be invited to become member of the Water Forum:
- Consumer Council for Water
- Environment Agency (who will in turn engage with Natural Resources Wales)
- Natural England
- Where the above organisations are unable to become members of the Water Forum, including the Drinking Water Inspectorate, the Chair, Severn Trent and the organisation in question will agree a mutually agreeable approach to engagement such that its views can inform the work of the Water Forum.
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- Each organisation will appoint a single member to the Water Forum and may, from time to time, bring a colleague to provide support or technical input. In instances where the appointed Water Forum member is unavailable, a delegate is able to attend.
- Members attending from organisations with an interest in Severn Trent should represent those interests, but in doing so should not be precluded from, as an individual member, commenting on areas of Severn Trent's plan that extend beyond those statutory interests. Where these members are conflicted in carrying out such a role on any matter, they should declare it to the Chair.
- Additional members to the Water Forum may be appointed that either have an interest in the operation of Severn Trent for its customers and communities or have the technical expertise to enable the Water Forum to fulfil its role. The Water Forum Chair shall lead the recruitment of these members, in consultation with the Water Forum and Severn Trent.
- Where members are appointed to provide technical expertise (that is, not attending on behalf of an organisation with an interest, statutory or otherwise, in Severn Trent) they will have the option to receive an attendance fee of £350 for the preparation required and attendance at each full Water Forum meeting.
- All members are able to claim reasonably incurred expenses in line with Severn Trent's expense policy.
- Members should be substantially independent of Severn Trent. Members will be required to declare interests in Severn Trent Water and/or Severn Trent Plc prior to the commencement of each meeting.
- The term which members serve will be mutually agreed between each member and the Chair, in consultation with Severn Trent, but should not exceed two business planning periods.
- The quorum necessary for the meeting will be four members.
- Ofwat will be invited to attend meetings as an observer or to provide technical input.
- Members will be asked to participate in an annual review of the effectiveness of the Water Forum and its terms of reference, which shall be led by the Chair.

Independent advice and third party assurance

The Water Forum will be provided by Severn Trent with sufficient third-party assurance as may be required to fulfil its remit.

- Severn Trent will not object to requests for third party advice provided the Water Forum demonstrates the need for such advice and shows due regard for its cost-effective operation.

Meetings and operation

Full Water Forum meetings shall be convened no less than four times a year, but further meetings may be required at critical points of the business planning process. Severn Trent will endeavour to give six months' notice of full meetings.

- Decisions falling within the Water Forum's remit will be based on simple majority voting. Where members dissent from this view, this may, at their request, be recorded in the minutes.
- Additional working-groups to report to the Water Forum may be convened to enable more detailed discussion of key issues.
- Additional meetings will be convened between Water Forum members and key Severn Trent contacts to develop expertise on the outcomes to share with other Water Forum members.
- Members will have the opportunity to meet in private at each meeting without Severn Trent in attendance.
- Severn Trent will endeavour to circulate agendas and other materials electronically five working days in advance of each meeting.
- Agendas will be developed by Severn Trent and approved by the Chair.
- The Water Forum's forward work programme and approach will be developed by Severn Trent in collaboration with, and agreed by members.
- All Water Forum activities will be supported by a project plan with agreed milestones.
- Severn Trent Water will provide secretariat and administrative support and all costs

Appendix:

Principles to support the independence of the Water Forum Chair

1. A clear division of responsibility between the Water Forum Chair and Severn Trent Water will be maintained.
2. The Chair will ensure that the Water Forum provides robust challenge to Severn Trent Water in: a) Its approach to customer engagement; b) the interpretation of the outcome of that engagement; and c) how these outcomes are reflected in its business plan.
3. The Chair will promote a culture of openness and debate seen through every Water Forum member having a fair chance to contribute to discussions
4. The Chair will provide independent oversight of the recruitment of the Water Forum members to ensure the right skills and expertise are employed.

5. The Chair will review the effectiveness of the Water Forum at appropriate stages during its operation
6. The Chair will approve meeting agendas to ensure agenda items have enough time and will enable the Water Forum to deliver its requirements
7. The Chair may seek independent professional advice on any matter directly connected with the discharge of their responsibilities with prior approval
8. The Chair should avoid owning or having control over shares in Severn Trent