



Meeting of the Water Forum
Severn Trent Centre, St John's St, Coventry, room 7.14

06 June 2018

Attendees

Chair	Gill Barr (GB)
Consumer Council for Water (CCWater)	Bernard Crump (BC)
Consumer Council for Water (CCWater)	Paul Quinn (PQ)
Consumer Council for Water (CC Water)	Gemma Domican (GD)
Natural England	Ian Butterfield (IB)
Environment Agency	Bill Darbyshire (BD)
Independent Members	Nick Baker (NB) Rish Chandarana (RC) - Arup Karen McArthur (KMc) Steven Wade (SW) – Atkins
Apologies	Jan Britton Richard Butler Stuart Young

Severn Trent Water (STW)	Andy Duff (Chairman, Severn Trent) (AD) James Jesic (Director, Production) (JJ) Tony Ballance (Director, Strategy and Regulation) (TB) Shane Anderson (Head of Economic Regulation) (SA) Kirsten Shilling (Water Forum Secretariat & Report Writer) (KS) Heather Thompson, (Outcomes Manager) (HT) Neerja Upadhyay (Business Planning Controller Infrastructure) (NU) Min Grimshaw (Head of Regulatory Oversight) (MG) Bob Stear (Deputy Chief Engineer) (BS) Heather Richardson (Head of Compliance) (HR)
External	Nigel Sanders (representative from Jacobs) (NS)
Apologies	John Coghlan (Non Executive Director, Severn Trent) (JC)



Item 1: Introduction from the Chair

The Chair introduced the Severn Trent Chairman and the guest from Jacob's to the members.

Item 2: Regulatory Compliance and Assurance

The company adopted 4 key principles; robust assurance, ownership and accountability, effective governance and transparency and public accountability. Ofwat have rated the company's governance process as 'exceeds expectations' for the last two years.

The company's three lines of defence model was described. The first two lines of defence were internal, with the third line provided by external assurers such as Jacob's. For PR19 a new framework was devised in line with Ofwat's methodology. The methodology for this was described in more detail.

The Water Forum queried if all data and PCs would go through third line assurance. The company confirmed this was the case.

The Water Forum reflected on how customers might be engaged in the assurance process. STW noted the work that the research programme had undertaken. Also that the online panel was good evidence to support how the company involved customers.

A findings update from the Jacob's guest was provided. Jacob's were in the final stages of their assurance process for year end. The focus would then be solely on PR19.

Jacob's had been involved in the assurance for the company's cost adjustments from the beginning. Further, that Jacob's had been involved in the process for PR14 so it has a strong understanding of the process.

The Water Forum were keen to understand how involved Jacob's had been in the process as this had been a challenge raised previously. Jacob's responded by noting that it had been involved throughout the process for cost adjustments and had based its assurance on the PR19 methodology. STW further noted that the assurance on PR19 was not yet complete and that the company was responding to the findings – which was being discussed in the PC/ODI section.

The Water Forum commented that it would be beneficial to see three items relating to assurance:

1. Letters to the Board from Jacob's
2. Timeline for the assurance process for cost adjustments
3. An overview of the assurance process in specific relation to cost adjustments

STW took the **action** to share these items with the Water Forum when they were available in July. STW's Chairman, noted that the Board would be pleased to share these with the Water Forum.

The final item in this section was relating to 2017/18 assurance. The assurance was in line with the company's published assurance plan.



The audit committee met earlier on the same day of the Water Forum and were confident that the assurance will be complete and ready for the Board to sign off the following week.

The Board have to sign a statement confirming their approval of the assurance process and to signify both rigour and Board level commitment to quality.

The Forum asked if the company had taken steps to remedy the fact it had been downgraded in the Company Monitoring Framework.

The STW Head of Compliance had personally spoken to Ofwat to address this. A full account of the steps taken was discussed.

The Chair thanked the speakers.

Item 3: Governance (Minutes and Actions)

Forum members reviewed the minutes from the meeting on 3 May 2018 and these were **approved**.

One member noted that the wording should be changed in one sentence for more clarity in the May minutes and this was noted.

There were no further declarations of interest.

The action log was reviewed with no new declarations.

Item 4: Purpose of the day

The purpose of the day was to provide context to the assurance item and that there were three main areas to cover:

1. Closing down outstanding challenges
2. Strategic investment funding mechanisms
3. Responding to the results of assurance (internal and external)

STW noted that assurance was important so it had been a good opportunity today to discuss it in more detail. Further activity would be underway and that they would liaise with relevant sub-group leads where there is a need to update elements of the plan. It was agreed that a telephone call would be scheduled for August 2018 to finalise everything with the Water Forum.

The Water Forum and the Chairman discussed frontier performance. STW noted that this was an important dialogue and that it was also important to note that the company's ambition was very demanding in all areas. It was noted that over the years there had been a significant culture change within the company that had parted ways with the legacy of the industry.

The Chairman thanked the Water Forum for its hard work and dedication in helping the company to create a high class business plan. It was further noted that the challenge process was the best he had seen and moved away from the traditionally paternalistic mindset into one that questions what customers really want.



Item 5: Policy Update

There had been some significant policy developments since the May Water Forum.

The National Infrastructure Commission had published its thinking around England's water infrastructure needs. It would encourage conversation to look at ways of improving the infrastructure. There were two considerations to note in relation to this. Firstly, this was part of the governments long term strategy. Secondly, it reflected Defra's concerns and the need to look ahead in order to move away from the same outcome as other sectors.

The other significant policy update was Ofwat's consultation on putting the water sector back in balance. This consultation looked at gearing, dividends, financial resilience and executive pay. The company has responded positively to this and that it was important to consider track record as well as looking ahead to the future as that is what customers will be judging on.

Item 6: Customer Insight

There were two items to discuss on this topic; acceptability research and the online community, Tap Chat.

The acceptability research is still currently in the field. The results of this research would be available imminently.

STW took the **action** to discuss the results of the acceptability results with the Water Forum in June. It also took an **action** to ensure that the Customer Insight Index and Water Forum Challenge log were aligned.

The online community, Tap Chat was discussed, regarding what research had been conducted so far.

The sub group lead provided an overview of the research programme to summarise the progress that had been made. The Chairman was particularly interested to hear this and praised the team for the success they have had.

Item 7: 17/18 Performance

The first consideration in this item was the wording from the Water Forum for 17/18 performance. There were two minor updates to make on the wording.

Some other actions were taken by the company to update tables in the presentation.

Item 8: Performance Commitments and ODIs

This agenda item opened with a reflection of the current state, noting that there were only five remaining challenges with a summary provided to follow.

The sub group expert on biodiversity, provided an overview of the wider challenge he had originally raised on this topic. Since the May meeting, the company had stretched themselves on this challenge and provided proposals covering PC scope, targets and incentives. This challenge was noted to be closed.



The Water Forum Chair challenged on what other companies were doing in respect to ODI rates. STW noted that the company had done this by using historic WTP and most recent data shared – this confirmed that there were no new outliers other than those already addressed.

There was some discussion around WISER. The members noted that the company had produced a WISER tracker that was to be commended.

Following this it was noted by all that the challenge was closed.

STW then moved on to lead free schools. It was noted that the proposals by the company in relation to this seemed reasonable. The company noted that this was a new activity and was sensitive so great care would be taken.

The Forum noted that the company might consider the name of the PC.

In relation to anything else outstanding it was noted by the Chair, that the sub group would have delegated authority on behalf of the Water Forum to close off outstanding issues.

Item 9: Innovation

STW opened this agenda item noting that the Water Forum had seen innovation within specific topics (such as customer engagement, water, wastewater and retail services) but hadn't spent a lot of time considering innovation as a stand-alone topic. This overview of Innovation in the round, would provide members with a look at the company's overall approach and open it up for comment.

The Chair challenged if innovation was measured. STW responded by noting that the Chief Executive was extremely keen on innovation and therefore it was a priority. It was also noted that by prioritising innovation, the company had already had some real success stories including making significant savings.

The Forum also challenged how innovation would appear in the narrative. STW commented that it would feature significantly.

STW took the **action** that the company would share the draft appendix of the narrative to the members and also circulate the wording of the Ofwat tests.

Item 10: AOB

A paper was presented to the Water Forum "*Managing Uncertainty in Strategic Investments*" for the first time.

STW provided an overview on current thinking over Uncertainty proposals.

The company wanted to take the opportunity to improve the business plan for all, by creating flexibility to manage uncertainty for a small number of schemes.

There was a very full debate of the issues raised by the paper. Members had not been able to read it ahead of the meeting and so had not been able to consider it.



A member noted that in principle, this proposal seemed reasonable on face value. However, the lateness at presenting this information meant that it was difficult for the Water Forum to agree on it and ideally it would have been presented earlier.

Also that on face value, customers would likely be in agreement, however no research had been undertaken as yet. It was noted that this could be run through the online panel.

It was noted by a member that the uncertainty from say, climate change, was not going to be resolved in the life of the plan.

Another member challenged the company to ensure that any changes made should respect the commitments in the Water Framework Directive.

It was recognised that both the PC and ODI and Strategic Investments sub groups would need scrutinise the proposal and share their conclusions with the wider Water Forum. STW noted this **action**.

Some requirements for the final proposal were stated by the Water Forum.

It was agreed that the revised proposal would be circulated and then a conference call with all members of the Water Forum would take place to follow.

Post meeting note: The revised proposal was presented by the CEO to a sub group of the Water Forum representing, Strategic Investments, Performance and Customer Insight at a meeting on 18th June. A call with the Water Forum to share the revised proposal and collect further comments was held on 22nd June.

Item 11: Close and next steps

GB noted that there was already a scheduled meeting for August to discuss any final outstanding points for the sub groups who had been given delegated authority to resolve outstanding issues.

The meeting was closed with no further comments. The next meeting would be held on 8th August 2018.