Report by Hartlepool Independent Advisory Panel

Introduction

Hartlepool Water provides water to around 100,000 people in and around Hartlepool and has been part of Anglian Water Group since 1997. Hartlepool Water is a trading name of Anglian Water Services.

Hartlepool Water customers represent 1.46% of the overall Anglian Water customer base and serves an area of severe deprivation compared to the national and regional averages. This has an impact on the ability of customers to pay for services, which needs to be taken into consideration in every decision made by Hartlepool Water.

There are clear differences between the Anglian Water and Hartlepool Water region in other ways too. Unlike some areas of Anglian Water, Hartlepool Water has an ample supply of water resources for current and foreseeable future demand.

The Hartlepool Independent Advisory Panel (HIAP) was set up in 2012 as one of the sub-panels under Anglian Water's Customer Engagement Forum (CEF). The aim is to help scrutinise the customer engagement process in Hartlepool and to participate in the development of the company's long-term business strategy and business plan with the needs of Hartlepool customers in mind.

The Panel is independently chaired by Peter Olsen, former Chairman of Housing Hartlepool, who is also a member of the main CEF. The Chairman of the CEF, Jeff Halliwell, has personally attended all the HIAP meetings in 2018. Staff from Hartlepool Water, including Strategic Water Operations Manager Kevin Ensell, have attended and supported each Panel meeting, as well as providing administrative support.

Anglian Water's Head of PR19 Strategic Stakeholder Engagement Carolyn Cooksey has attended every meeting since December 2017 to give an update on customer engagement in the Hartlepool region. Anglian Water's Regulation Director Alex Plant also attended the 10 July 2018 meeting to give an update on the company's PR19 Business Plan.

This report is the output from the Hartlepool Water Independent Advisory Panel discussions during meetings held in 2017 and 2018 to feed into business planning for the five-year price review that Anglian Water will deliver between 2020 and 2025.

Panel meetings took place on the following dates: 14 June 2017, 13 December 2017, 22 February 2018, 17 April 2018 and 10 July 2018 (a full set of minutes is available on Anglian Water's website here).

Membership is made up of a range of stakeholders in the Hartlepool region including:

- Consumer Council for Water (CCWater)
- Hartlepool Borough Council
- Joseph Rowntree Foundation
- Orangebox Training Solution
- Tees Credit Union and Thirteen Group
- Tees Valley Wildlife Trust
- West View Advice and Resource Centre Limited.

1. Hartlepool Water

Hartlepool and the surrounding villages supplied by Hartlepool Water sit within the unitary authority area of the Borough of Hartlepool and is part of the Tees Valley economic area in the North East of England. The modern town itself represents a joining together of "Hartlepool" and West Hartlepool.

1.1 The Local Area

Historically, the local economy of Hartlepool has been closely linked with the maritime industry. The town became heavily industrialised and by the mid-19th century ironworks and shipyards in the docks were the main employers in the town. Following the severe pre and post Second World War decline of these industries and the closure of British Steel in 1977 the area faced tough economic challenges. By the 1980s, with a total loss of approximately 10,000 jobs, Hartlepool had some of the highest unemployment figures in the country.

Engineering related jobs still employ around 1,500 people locally today with companies such as Able UK, PD Ports and Heerema in operation. Hartlepool nuclear power station opened in the 1980s and is the single largest employer in the town, employing 1 per cent of the town's working age people.

A series of major investment projects in the 1990s revived Hartlepool. Following the construction of a new marina, the rehabilitation of derelict land and regeneration of the Historic Quay and shopping centre the town's prospects improved.

However, the Hartlepool area still faces significant economic challenges. The rate of people claiming any benefit (which includes in work benefits) is more than 25% higher in Hartlepool than the national average, and unemployment rates in the region are also higher than the national average.

1.2 Hartlepool Water customer services

The much smaller scale of Hartlepool Water allows the business to offer a very different approach to customer services. Telephone enquiries and complaints are handled by small teams with the majority of calls being managed from start to finish by one person. The Hartlepool Water base is close to the centre of the supply zone so that all customer properties are within 20 minutes drive. This allows Hartlepool Water to respond very quickly.

Hartlepool Water is unique in offering face-to-face customer service to all customers. Customers can pay their bills or discuss service queries with Hartlepool Water staff at the customer reception in Hartlepool without appointments. This is a virtually unheard of service for utility customers but one valued by Hartlepool Water customers. In the 2016-17 financial year there were over 1,102 conversations with customers at the Customer Reception without an appointment to discuss accounts, water supply or general enquiries.

Hartlepool Water operates a separate tariff structure to the rest of the Anglian Water region. It offers a fixed, standard rate (Licence Fee) for all unmetered customers rather than one based on the rateable value of the customer's property. For metered customers, there are a range of tariffs:

- The SoLow tariff offers a cheaper alternative to low volume customers and rewards them for using less water (this tariff is due to come to an end in March 2019 in Hartlepool and across the Anglian Water region).

- The AquaCare Plus tariff offers support for high volume customers that receive income support

- The WaterSure tariff offers a fixed price for customers to protect metered customers with specific needs who use higher than average amounts of water due to particular circumstances. WaterSure is a mandatory tariff and so not implemented at the Company's discretion. The tariff structure has been designed to offer customers the best possible service and minimise the risk of unpaid debt.

Hartlepool Water are also investigating further tariffs such as 'Back on Track' (a payment matching scheme that it is hoped would be in place by the end of 2018-19); and LITE Tariff, which Orbit Services are working with Hartlepool Water to implement for some of those customers who are most in need by the end of the 2017-18 financial year.

LITE Tariff (a 'Social Tariff') implemented by Anglian Water in the previous financial year, will enable customers with a water meter and whose water bill takes up more than a set percentage of their effective disposable income to receive a discount of 20%, 40%, 60% or 80% of their water and sewerage charges. Northumbrian Water Ltd., which provides sewerage services for Hartlepool Water customers, have agreed to match Hartlepool Waters tariff for sewerage charges in the area despite their tariff structure and eligibility criteria being different.

Business customers account for over 40% of water supplied into the area including two major industrial customers on the southern edge of the supply area.

Unlike some areas of Anglian Water, Hartlepool Water has an ample supply of water resources for current and future demand. Hartlepool Water has never introduced any form of drought measures, such as hosepipe bans, for domestic or business customers. The network of 18 boreholes allows Hartlepool Water to offer a safe, reliable supply of water at relatively low cost and with minimal impact on the natural environment.

There are some long-term risks to the water source currently used by Hartlepool Water. The structure of the network operated by Hartlepool Water can not currently be supplied from any other source other than the current one. The aquifer that supplies all 18 boreholes has been identified as at risk in the long term from contamination from water in abandoned coal mines. Hartlepool Water has been working in partnership with the Environment Agency and the Coal

Authority to understand the risks. Hartlepool Water is working with the partner organisations to mitigate the risk and plan for any contamination in the future.

The differences in the resilience and adequacy of supply are reflected in the number of domestic customers with water meters. Over the last decade the installation of domestic water meters was a key strategic aim for Anglian Water. In 2018, over 95% of Anglian Water domestic customers have a water meter compared with around 44.4% of Hartlepool Water customers. Increasing the number of water meters is a strategic aim of Hartlepool Water but the relative abundance of water supplies, standard tariff rate for unmetered customers and the variable nature of metered bills will make this a difficult challenge.

The clear differences between the Anglian Water region and the Hartlepool Water region highlight the importance of listening to local customers and continuing to adopt an approach tailored to reflect their area's specific needs.

2. Customer Consultation Process

Ofwat has stated that the 2020-2025 Business Plans should reflect the priorities and service requirements of customer and stakeholders. An extensive and effective stakeholder consultation was required to deliver this for Hartlepool Water customers.

Anglian Water has undertaken the customer consultation on behalf of Hartlepool Water. A large programme of customer and stakeholder research and engagement activity was commissioned to inform the 2019 Price Review process, as well as the company's longer-term business planning.

Acceptability research was carried out as part of the consultation on the company's updated 25-year **Strategic Direction Statement** (see Annex 1a of Anglian Water's Business Plan: *Strategic Direction Statement 2020-2045*)[1] to ensure that customers' priorities were driving the company's investment plan, exploring the acceptability of their long-term strategy and understanding customer opinions.

Accent carried out 1,029 household and 498 non-household customer interviews with set quotas to ensure that the dataset was representative of both Anglian Water and Hartlepool Water, including both household and non-household customers. 50 household customers from Hartlepool were included.

The research showed a considerable acceptance of the outcomes from the customers with only 1% stating they viewed them as unacceptable. All the outcomes were viewed as important with the fair profits outcome being considered the least important. The acceptability of the outcomes for household customers was at 91% and non-household customers at 95%. There was a consistent theme of elements customers would like to see more clearly included, which were: education, technology, smart metering, flooding, the environment and pollution, and affordability.

Customer engagement specific to the PR19 Business Plan was tailored to reflect the different proposed bill profiles for Hartlepool Water customers, which were lower than those proposed for Anglian Water customers. A 5% discount on bills was applied to Hartlepool Water customers when Anglian Water first took over the company in 1997; this together with lower starting tariffs from 1997 mean a lower bill for Hartlepool customers (see below for more details).

Anglian Water's customer engagement programme has explored the views of household customers in a wide range of different circumstances, business customers of various sizes operating in a variety of sectors, retailers, future customers, important partners and regional stakeholders.

The programme has included a number of research projects. Some have been wide-ranging and exploratory, designed to enable participants to raise the issues that are most important to them, such as focus groups. Others have been much

[1] Also available on Anglian Water's website: https://www.anglianwater.co.uk/about-us/thinking-about-our-future/strategic-direction.aspx

more narrowly targeted on a particular set of issues. Research projects have employed a variety of different methods, from in-depth interviews to questionnaire-based stated preference techniques.

HIAP Chair Peter Olsen and CCWater consumer advocate Colin Wilkinson were able to attend several focus groups held in Hartlepool to observe the customer engagement process in action.

As of July 2018, the customer engagement Anglian Water had carried out in Hartlepool represented 1.38% of the overall engagement. Below is a summary of the engagement that took place in Hartlepool (see Annex II of this report for a more detailed list of customer engagement carried out with customers in Hartlepool):

- Segmentation (January 2017) – 200 of the 1,200 customers surveyed were from Hartlepool
- Vulnerability (May 2017) – 4 in-depth interviews in Hartlepool Water customers' homes
- Acceptability of Strategic Direction Statement (May 2017) – 50 of the 1,029 customers surveyed were from Hartlepool
- Resilience – a focus group was held as part of the resilience engagement co-creation process (before arriving, customers were asked to go for as long as possible without using water in their homes)
- Willingness to Pay (September 2017) – 150 household and 50 non-household Hartlepool customers included in main stage survey (900 total)
- Communities ODI – quarterly ongoing survey targets around 50 Hartlepool customers in each wave
- Community ambassadors – 8 dedicated to Hartlepool Water (first ambassadors due to go into the community in June 2018)
- Acceptability of outline Business Plan (April 2018) – 200 of the 1,600 customers surveyed were from Hartlepool
- H_2O Let's Go (May 2018) – 1,500 customers attended Hartlepool event on 7 May 2018
- Be the Boss (May 2018) – 51 customers with Hartlepool postcodes participated in this online survey

A Synthesis Report, produced by an independent author, brought together key pieces of evidence to try to identify points of consensus and divergence, issues of relevance to particular groups, and any important gaps in the evidence base. Issues relevant to Hartlepool Water customers were clearly identified in the narrative, following feedback from Panel members (see Anglian Water PR 19 Business Plan Annex 12c: *Customer Research & Engagement Synthesis*).

The vast majority of research showed that Hartlepool Water customer views were in line with the spectrum of results observed within the Anglian Water region. However, some results did identify differences between Hartlepool Water and Anglian Water customers.

In general, the concern of budgeting was a top priority in Hartlepool. Researchers found that getting through the month was a daily preoccupation for Hartlepool customers and participants in focus groups in Hartlepool were actively choosing products, services and activities that helped with this.

The Leeds-based market research company Allto carried out a segmentation analysis to capture divergence in views within the Anglian Water customer base across both regions. Of the 1,200 customers surveyed, 200 were Hartlepool Water customers. Final results were weighted so that Hartlepool customers' views were represented – accounting for 2% of all results.

Allto used a question-based survey, sampling at random through telephone and online surveys. A cluster analysis was used to define groups with similarities identifying six segments accounting for opinion on water transfer. The definition of the six segments resulted in: *comfortable and caring, tech savvy, eco-economisers, family first, careful budgeters,* and *protective provincials.*

There was a statistically significant difference in the Hartlepool base, in that there was a higher than average representation of the *comfortable and caring* segment (this made up 31% of the Hartlepool sample). These customers are rarely expected to have trouble paying their water bill. They are likely to have called their water company to make a single payment with a strong likelihood of contact in the last three months.

They prefer telephone contact and have a desire to receive urgent information through telephone communication and general information though the post. Digital methods are less likely to be a preferred method of contact than the Anglian area customer base, and the segment is more likely than the rest of the customer base to believe that finances should be raised through their water bill to protect the environment. The segment is also more willing to be proactive to reduce the risk of future drought through both paying extra in their current bill and reducing the amount of water that they use.

The same research also found that Hartlepool customers were more likely to fall into the "careful budgeter" group than customers in the Eastern region (15% as opposed to 8%). In addition, the research found that Hartlepool had a significantly higher percentage of "eco-economisers" than the South of the region (18% as opposed to 10%). These customers tend to be older, and strongly focused on both budgeting and making environmentally-friendly choices.

Hartlepool also had a significantly higher percentage of "protective provincials" than the South of the region (12% as opposed to 4%). These customers were more likely to be female, and had a particular interest in immigration issues. Hartlepool also had a significantly lower percentage of "tech savvies" than the Anglian Water region (15% in Hartlepool compared to 39% in the South of the region).

Digital methods were less likely to be a preferred method of contact than the average customer base, and the segment was more likely than the total customer base to believe that finances should be raised through their water bill to protect the environment. The segment was also more willing to be proactive to reduce the risk of future drought through both paying extra in their current bill and reducing the amount of water that they use.

Detailed findings

Sustainability consultants Given London held a focus group in Hartlepool on 12 December 2017 and spoke to ten people for around 2.5 hours. This was structured into three sections:

- Life and personal priorities – what's on the minds of local residents?
- Perspectives on Hartlepool Water – What customers like and dislike from their current service?
- Designing new services – What customers want to see more of from Hartlepool Water?

Given found that community is important to Hartlepool customers, including pride in Hartlepool and the local nature of Hartlepool Water. A large proportion of the group were employed in the care community or were part of a community group. The focus group and the subsequent co-creation workshop in Hartlepool found that many participants there were actively involved in their local community, were proud of it, and felt that many parts of the town remained tight-knit and well-connected. However, the co-creation workshop found that community spirit was being challenged as the area expanded and changed, and new communities arrived.

Money came through as a key factor in Hartlepool, and housing was also voiced as an important pressure. Some customers had switched to water meters and were happy with the outcome, having seen a reduction in their water bill. However, participants showed a good understanding of value and were prepared to pay more for a quality product. The focus group were keen to see their own water consumption monitored through water meters and they didn't like wastage and leakage.

Concern was highlighted around building growth in the area and investment in infrastructure to support the ballooning population. There was an expectation of costs of growth and who would be paying for it. There was some apathy shown towards the environment and an opinion expressed that it was too late to do anything about it.

In general, Hartlepool Water was considered a good company that was providing a great, local customer service. The focus group found that that high levels of satisfaction were driven by: excellent customer service (speedy resolution of problems, sensitivity to people who are struggling to pay their bills, and being proactive with bill reductions); and being quick to resolve leaks and respond to other problems.

In the latest set of figures from CCWater, satisfaction levels with water services in Hartlepool were high at 94% (n=151). This was confirmed by disaggregated findings from the Main Stage Willingness to Pay survey. The vast majority of customers (91%) had not experienced any service interruptions. The Willingness to Pay Main Study found that water restrictions were not an issue among customers in Hartlepool. The majority of respondents (92%) were satisfied with performance for water services and 85% indicated that the priority should be to maintain service levels. Leakage was the area that the greatest proportion of Hartlepool Water respondents identified for improvement (16%).

Data from the CCWater *Water Matters* research for Hartlepool Water revealed a trust score of 8.23 for 2017/18 (n=150). The range for all water-only companies was 7.31-8.32 (with a weighted average of 7.69), indicating that Hartlepool Water is regarded as a particularly trustworthy company. The focus group with Hartlepool Water customers confirmed that the company was trusted and well-liked. Being perceived as a local company that supports local employment appears to have been important in this. The co-creation workshop held with Hartlepool Water customers also found that the company was regarded as a good and trusted local business.

More proactive communication was identified as one of the things that Hartlepool Water could do to increase customer satisfaction. Customers who took part in the focus group were keen for the company to do more, in particular, to communicate opportunities to save water and money (e.g. explain the benefits of moving on to a meter), and the additional support available to customers facing particular difficulties.

Anglian Water customers in general emphasised the importance of ensuring that groups that are not as familiar with new technology were not disadvantaged by the shift to digital operations. This was also a concern raised in one of the four future customer workshops. Participants thought it would be important to retain call centres, at least for the time being, as they felt older people preferred phone contact to use of new technology. This was of particular relevance to the Hartlepool region, where the population is slightly older than the Anglian Water population base.

Similarly, while participants in the Hartlepool Water focus group suggested the development of a water App to help customers manage their own water use, they also advocated the development of a network of local “ambassadors” who could go out into the community and raise awareness of services and support to save water and money, particularly among more vulnerable customers.

Anglian Water are following this up by rolling out a Community Ambassador programme across Hartlepool and the Anglian Water region. The initial aim was to put in place 50 ambassadors who will visit community groups to speak about the company’s future plans, and gain customer views on them. Within this project there will be eight dedicated Hartlepool Water ambassadors who have already begun to deliver talks in the region to community groups. This is a channel that will continue to run through the business once the price review has finished, continuing to gather customer feedback on the company and its processes.

Customer views on PR19 Business Plan

Consultation on Anglian Water's outline Business Plan was carried out during a six-week period (28 March–9 May 2018). The company gathered feedback from customers through a variety of quantitative and qualitative channels engaging wide a wide range of customers.

As part of this engagement, a focus group was held in Hartlepool on 19 April with customers who identified themselves as vulnerable through low income. The focus group had two parts: firstly, participants were taken through the outline plan talking through the proposed average bill profile. The Hartlepool group was shown specific profiles accounting for the Northumbrian Water's wastewater bill projection.[2] The second stage of the focus group looked specifically at the vulnerability strategy proposed for AMP7 highlighting the aims of the proposal (see report by Anglian Water's Affordability and Vulnerability Panel for more detail – Annex 9 of Customer Engagement Forum report).

Anglian Water's travelling H_2O Let's Go roadshow also visited Hartlepool on 7 May at the Middleton Grange shopping centre. It proved very popular with a footfall of 1,500 on the day.

Fifty-one customers with Hartlepool postcodes also took part in Anglian Water's innovative Be the Boss online engagement exercise. This was used as a ditigal engagement tool alongside other engagement channels during the consultation period. iPads were taken to the H_2O Let's Go event to gather views from customers on the outline plan. Be the Boss asked customers for their views on trade-offs faced in the business plan and prioritisation of the company's asset management and their opinion of the enhanced reward for leakage (see main CEF report for more details).

Acceptability testing was carried out on Anglian Water's outline Business Plan with 1,600 household customers, including 200 from Hartlepool. The average length of the interview was 35 minutes. There was generally high support for enhanced reward for leakage across the board (72%) with overall acceptability of more than 80% (see Economic and Valuation Sub-Group Report for more details – Annex 8 of Customer Engagement Forum report).

[2] Northumbrian Water provides wastewater and sewerage services to Anglian Water customers in Hartlepool.

During customer engagement focusing on the outline PR19 Business Plan, Hartlepool customers were presented with a different bill profile from Anglian Water customers, with potentially smaller projected bill increases (partly due to Hartlepool Water sourcing most of its water from boreholes and not being impacted by increased investment costs affecting the Anglian Water region through the Water Industry National Environment Programme – WINEP).

The bill profiles assumed an average combined water and water resources bill in 2019-20 of £356, with efficiency savings of £11. The bill profiles were then (including inflation): option one, £381; option two, £387; and option three, £396. The same potential reward/penalty applied for performance on leakage as in the rest of the Anglian Water region.

The research found that low-income participants in Hartlepool were more open to the options involving proportionately greater investment. Even though participants expressed concerns about rising bills, by the end of the discussions, none of them chose the lowest bill option, and equal numbers chose options two and three. However, after agreeing to pay for option three, some customers felt it was a bit much for Anglian Water to ask them for an additional £4 to pay for leakage improvements.

Disaggregated results for Hartlepool Water household customers from the Main Stage Willingness to Pay survey suggested there was very little difference in attitudes among these customers in terms of the importance of various water service attributes. Consistent with high satisfaction levels among Hartlepool Water customers, the majority (approximately 85%) indicated that the priority should be to maintain current service levels.

Leakage was the area that the greatest proportion of Hartlepool Water respondents identified for improvement (16%). The choice model analysis indicates that the level of leakage and change in the bill were also the most important aspects of the choice task for Hartlepool Water household respondents.

Overall, the profile of results for Hartlepool Water was similar to that of the pooled Anglian Water results, indicating that Hartlepool Water customers' priorities are aligned to those for the wider Anglian Water region. Only "severe water restrictions" has a noticeably reduced level of importance for Hartlepool Water customers.

3. Panel Views

In general, members of the Hartlepool Independent Advisory Panel (HIAP) felt that Anglian Water's customer engagement research programme was representative of Hartlepool customers' views. Looking at evidence from the Synthesis Report (Anglian Water PR19 Business Plan Annex 12c: *Anglian Water Customer Research & Engagement Synthesis Report*), Panel members felt that the conclusion drawn by Anglian Water that Hartlepool customers' views were generally similar to the rest of the Anglian Water customer base was reasonable.

Panel members asked for a separate section of the Synthesis Report focusing on Hartlepool. However, following their challenge, comments relating to Hartlepool Water were drawn out separately in the Synthesis Report for ease of reference.

There was debate between the Panel and the company about the online community. Panel members would have liked to see the inclusion of some Hartlepool customers in the community; the company's supplier maintained that this was impractical as the overall panel sample size did not allow the inclusion of a representative number of Hartlepool customers. This methodological issue should be explored further for the future. However, the Panel noted that other research and engagement had highlighted the similarities and differences between Hartlepool and the rest of the Anglian region.

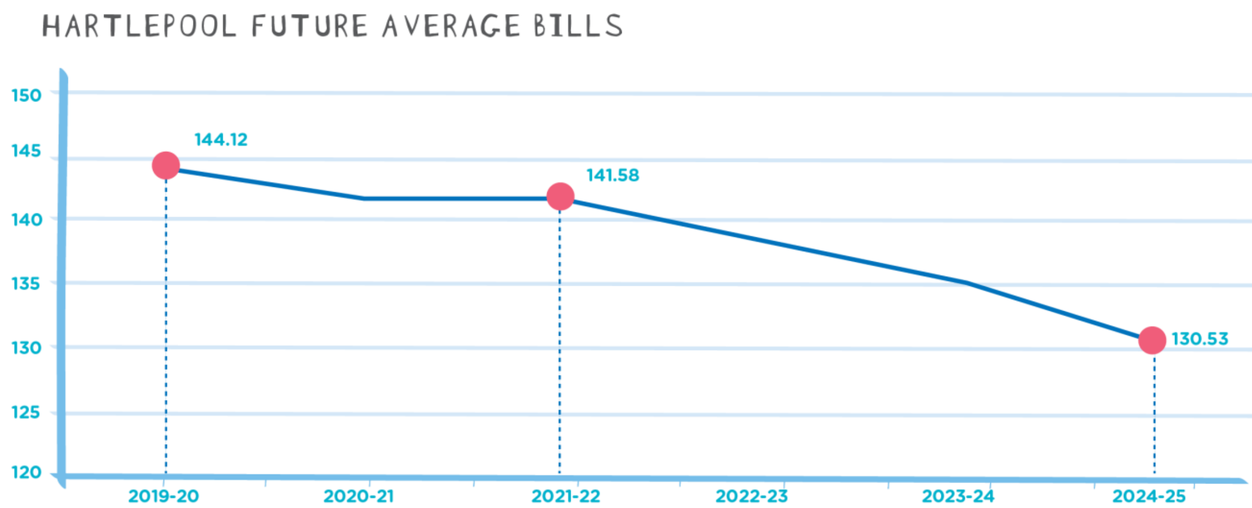
Panel members were pleased to see that Anglian Water had responded to Hartlepool customers' enthusiasm for rolling out a Community Ambassador programme, which had a strong focus on face-to-face interaction with community members. They were pleased to see that eight of a total of 50 ambassadors across Anglian Water's entire customer base were being trained in Hartlepool and that this programme would be rolled out over the next few years. The Panel felt that the work the Community Ambassadors have done so far has been impressive.

However, Panel members did not feel the Community Ambassador programme, as currently arranged, was a replacement for involvement in the online community and they have asked the company to look again at giving those customers in Hartlepool who are digitally engaged an opportunity to contribute to the work of the online community. They also wanted to see Hartlepool customers represented through other channels, including Anglian Water's new Customer Board, which started meeting in 2018.

Business Plan

Panel members were disappointed that Hartlepool was not mentioned in the printed version of the outline business plan that was taken out to customers for consultation in March 2018 (Anglian Water PR19 Business Plan Annex 12a: *Our Outline Plan 2020 – 2025: Summary*). Anglian Water colleagues confirmed that the digital engagement through Be the Boss included Hartlepool as a region alongside a county-based breakdown.

Panel members welcomed figures from Anglian Water's final Business Plan, which showed Hartlepool Water bills (for water only) were projected to fall by 4.7% across AMP7, as shown in this graph from Anglian Water's Business Plan (see Anglian Water PR19 Business Plan: Executive Summary, Section 1.3):



While these figures do not include inflation, the Panel was aware that the impact of inflation was included in the information presented to customers during the company's research.

The Panel welcomed Anglian Water's revised overall vulnerability strategy, which would create a step change in support for vulnerable customers and greater help for those struggling to pay their bills.

However, there were several concerns raised and reservations highlighted by Panel members in relation to Hartlepool Water customers, as well as some frustrations raised about the timelines and processes to enable the Panel to give adequate feedback on the company's plans (see Annex I of this report: *Challenge log*).

For example, the Panel asked for a plan covering the full PR19 proposal period in February to allow members to allocate their time. However, in spite of repeated requests, this was not tabled until 10th July, by which time it was too late to be helpful to the Panel. In addition, the infrequency of meetings made it difficult to achieve continuity of attendance among members of the group.

Panel members wanted to see improved communication between Hartlepool Water and its customers, an issue that was flagged as a priority by customers themselves. Members also wanted to see improved and more timely communication with the Panel going forward.

Some members felt they should have been involved in setting the research programme for Hartlepool. Panel members collectively brought a wealth of knowledge of the area and its communities to the table. Using this to plan the research programme for Hartlepool may have delivered even greater insight for the company. The Panel looked forward to working with the company to ensure this takes place for ongoing customer research.

See Annex I of this report for a full summary of Hartlepool Independent Advisory Panel challenges and responses from Anglian Water colleagues.

See Anglian Water's website for a full set of minutes from HIAP meetings here.[3]

4. Conclusions

The nature of the area and the challenges many residents face create specific difficulties for Anglian Water's Hartlepool operations. However, the Panel feels the company's structure, attitudes and people are well-adapted to the circumstances of Hartlepool customers and members were keen that the local services should continue as they are well-designed to serve the needs of the local community. The use of local staff and management who know the area and the customer base is particularly valued by customers. The provision of a customer reception and cash payments window on the company's premises is one of several adaptations Anglian Water Services have made in Hartlepool to ensure it reflects the area that it serves and tailors its operations to customers' needs.

Panel members felt that, overall, Anglian Water's PR19 Business Plan reflected the priorities and concerns of Hartlepool Water customers, with some caveats.

While recognising that some of the late changes in the company's developing business plan were as a consequence of factors outside their control, the Panel also highlighted that the lack of timely information had sometimes made it difficult for members to give issues as much scrutiny as necessary. Several members said they would like to see earlier and more comprehensive involvement for the Panel in the next price review.

August 2018

[3] See Anglian Water website: https://www.anglianwater.co.uk/about-us/minutes-and-reports.aspx

Annex I: Summary of Challenges from Hartlepool Independent Advisory Panel

We have received some questions and comments from the Hartlepool panel on the customer engagement that we have carried out, and how this is reflected in the business plan we will submit by September 2018. Set out below are Anglian's responses to the comments made.

We have sought to ensure all our customer engagement is representative of all parts of our customer base, including a good geographical spread, participation across the age and socio-economic spectrum and the more vulnerable segments of our base too. Hartlepool customers represent just under 2% of our overall base, so we must ensure our engagement is proportionate and representative, so that we balance this against the views of the 98% of our customers in our Anglian region. We are confident that we have ensured the views of Hartlepool customers are included in the synthesis of our customer views, which we have used to drive our business plans for 2020–2025.

Where possible and practical we have provided bespoke materials and engagements for Hartlepool customers. For example, bill profiles presented to Hartlepool customers were Hartlepool specific, and notably were the only set of profiles presented to customers that included options for bill decreases.

We have also tried to balance the need for one regulatory submission that supports the water resources and water networks price controls, which are not region specific, with the desire to highlight differences between Hartlepool and Anglian Customers. By and large, we have found that Hartlepool customers' views fall within the wide range of views we see within our Anglian region, but have sought to highlight where that is not the case.

Aide Memoire CCG Role 1: Quality of Customer Engagement

Hartlepool panel comment	Anglian Response
1. The WTP work was not carried out with any significant sample of Hartlepool customers.	We have ensured Hartlepool customers were included in the willingness to pay work, where appropriate. In the main stage study, we surveyed 150 household customers and 52 non-household customers through the DCE survey, out of total sample sizes of 900 households and 500 non-households. Hartlepool customers represented 17% of household and 10% of non-household respondents to the survey forming a reliable representation of our overall customer base. The sample quotas were based on respondent gender, age and SEG to ensure representation of the Hartlepool region. Results of the survey were

	then weighted back to ensure proportional representation.
2. The vulnerability focus group in Hartlepool asked customers for their views on spending on climate change adaptation, whereas Anglian's Water Resource Management Plan says climate change will not necessitate changes to the way Hartlepool's water is managed (see Water Resource Zone Summaries p 59-63 in Anglian Water Resource Management Plan). Additional price rises to accommodate adaptation to climate change either need to be justified, or price rises need to be adjusted for Hartlepool.	We asked all water customers the same question in the focus groups, as there is one set of price controls for water. There are varying amounts of investment needed in each water resource zone, but there is one price control covering all these zones, so investment is spread over all customers, so we need to understand the views of a representation of all customers. This works both ways so what that means is where there has been investment in Hartlepool in the past, the cost of that has been spread over all customers. There are strict charging rules around allowed bill increases and maintaining bill stability which are reflected in our approach to charging.
3. When the segmentation questions were used as part of the willingness to pay research recruiting to (we assume) the same quotas, the makeup of the sample showed very different proportions of each segment, casting doubt on the utility and repeatability of the segmentation research. As this was one of the few pieces of research conducted in Hartlepool with a large sample, this is a significant concern.	Our segmentation identified six segments within our overall customer base, with differing priorities and views on water and water recycling services. We use that segmentation to help articulate those differences and to disaggregate 'average' responses into more granular pockets of views. We have used the segmentation in several different surveys and there are differences in the proportions of customers falling in to each segment, but we still think it is a useful tool to help us articulate the broad spectrum of views in our customer base.
4. A re-analysis of the Main Stage Willingness to Pay Study showed that, in the choice tasks, although confidence intervals for Anglian and Hartlepool customers overlapped, the rank order of priority for service attributes was different. Customers in Hartlepool's greatest priority was bill stability, whereas customers in Anglian's main area prioritised severe water restrictions.	The re-analysis (April 2018) found the relative prioritisation of the five service attributes to be similarly aligned between Hartlepool and Anglian customers, with 'leakage' and 'change in bill' having a high level of importance for both groups. The main difference found was Hartlepool Water customers placing a lower level of importance on 'severe water restrictions' than Anglian customers. While the Willingness to Pay values for Hartlepool are generally lower than Anglian Water values, the confidence intervals overlap making it not possible to conclude that the two sets of values are statistically different. As a result, the way we have used the values in our cost benefit analysis has not changed.
5. We believe that applying a company wide price increase to the existing Hartlepool base price should exclude any rise	We can confirm that all expenditure associated with the wastewater service and in particular the wastewater WINEP would fall within

attributable to the environment and wastewater expenditure, or otherwise the local consumers will be effectively charged twice for these costs, as no doubt Northumbria Water will charge for these costs in the wastewater charge they apply to Hartlepool customers.	the two wastewater controls, and would not be applied to Hartlepool customer bills, as they are water only customers.
6. Are there any Hartlepool Water customers included in the online community?	*While no Hartlepool Water customers are currently included in the online community, it is important to remember that we do receive regular and frequent feedback on customer satisfaction via qualitative and quantitative surveys that are proportionally higher than those in the wider AW area.* Feedback is then divided in to groups by customer type. For example, one of the groups is titled 'Protective Perennials' and reflects around 9% of all AW customer base. This group don't want us to pursue Ofwat directives involving transfer of water over borders for resilience. In Hartlepool, the 'comfortable and caring' group are in a higher proportion that the rest of AW and so from the outset differing priorities are clear. Colin would like to see evidence in report form. We've also looked at vulnerability of our customers; of whom 22% are classified as vulnerable according to the definition written in the Water Industry Act. We think that this classification could and should be much broader as vulnerability could be fluid depending on personal circumstances and that things can happen to anyone at any time. Four of forty customers interviewed about this were from the Hartlepool area. We've carried out some acceptability research based on the Strategic Direction Statement (SDS) which is consistent for HW and AW. This can be difficult to explain to customers therefore we used focus groups to ask customers how to get the messages across. It was and is, important for us to communicate the difficulty in reliably predicting weather in the short, medium and long term. %proportion HW in AW research. Willingness to Pay (what customers will pay and be billed for)

	research has been very important. Some customers want to pay less for less dependable and thorough services, others would be willing to pay more for more. So, we're trying to look more at revealed preference and how we need to phrase questions to better communicate what we're trying to ask without guiding customers' answers. So far we've asked 1400 in total about this, of whom 200 were in Hartlepool. A customer focus group took place in Hartlepool *(Tuesday 12th December)* in order to further explore the differences between HW and wider AW customer priorities. On our behalf, Given London spoke to 10 people for around 2.5 hours.

Aide Memoire CCG Role 2: Extent to which the results of engagement are driving the company's decision making and being reflected in the company's business plan

Hartlepool Panel comment	Anglian Response
6. The outline business plan prepared by Anglian Water does not mention Hartlepool at all. The only mention of Hartlepool is a brief summary on the consultation website of the investments Anglian Water will make in the area.	Our outline plan was a relatively high level summary covering our whole region and did not set out plans for any town in our area. We did set out regional investments on the digital version of the outline plan, and included Hartlepool as a region alongside a county-based breakdown including, for example, Lincolnshire, Cambridgeshire, Norfolk and Suffolk. We are preparing a short summary of the specific investment planned in Hartlepool.
7. Stakeholder consultation is ongoing in Hartlepool based on the outline plan. This is cause for significant concern for the Hartlepool Panel, as the outcomes will not reflect customers' views on the company's plan for Hartlepool. As the Panel has not seen the documents sent to stakeholders, further reassurances required that stakeholders understood there were only commenting on the water supply sections of the plan.	We received minimal feedback from stakeholders on our plan. This should provide the panel with reassurance that we are not acting on comments made on our wastewater plans from stakeholders based in our water only areas. Our focus has been on customer feedback on our plans, and we included Hartlepool customers in the acceptability research, the focus groups, a visit from the H2O Lets Go road show and participation in Be the Boss.

8. Questions being addressed by the online community exclude Hartlepool customers as there are no Hartlepool customers in the online community. Work through Community Ambassadors is not acting as a replacement for this.	The take up rate in the Anglian region for the online community compared to our overall customer base is extremely small. We did recently publicise the community to Hartlepool customers but had no sign ups, and the advice from our online community provider is that it is not suitable for a small group of customers such as those in the Hartlepool region. We have boosted the role of community ambassadors in the Hartlepool region as feedback from Hartlepool customers is that they would like to see more of Hartlepool water colleagues out and about. We have tailored the ambassadors talk to the Hartlepool region so that it offers a more bespoke engagement route than the online community would be able to do.
9. Panel members expressed concern that the ODI research didn't go into enough detail with customers during the short timeframe available. There was some concern that customers might not understand all the questions on the range of ODIs and the different issues for Hartlepool customers.	The 25-minute surveys would be followed up both in the online community and via 16 more in-depth interviews (some of which would be in Hartlepool). The surveys were one part of the process. There would be a chance for customers to feed back on ODIs as part of the business plan consultation too. (Customers may be split into streams so they only have to consider several ODIs at one time, followed by a focus group to bring everything together.)
10. Panel members wanted to see a summary of customer engagement relating to Hartlepool customers. **They also wanted to know the proportion of Hartlepool customers engaged in the research. And they wanted to see specific acceptability research regarding Anglian Water's Business Plan.**	Where the research results from customers in the Hartlepool area are statistically different from those in other areas then there would be specific mentions in the Synthesis report. Otherwise the Business Plan would represent Hartlepool customers too. The differences between Anglian Water region and Hartlepool customers would be highlighted in future versions of the synthesis report. As of July 2018, the customer engagement Anglian Water had carried out in Hartlepool represented 1.38% of the overall engagement.

11. Willingness to Pay survey **Panel members asked to see how HW data compares to AW data for WTP (minutes 17 April 2018).** **On leakage: panel members queried why leakage values in Hartlepool were lower (minutes 17 April 2018).**	Hartlepool has always had a strong focus on leakage and benefits from a small urban area, which is strongly pressure controlled. The environmental pressures in the North East on resource availability is fundamentally different to the East of England so resource constraints are less of a driver. However, this does not influence Hartlepool Water's strategy to minimise leakage to contribute to overall AWS/HPL performance.

Annex II: Summary of Customer Engagement in Hartlepool

Channel	Primary methodology (incl depth)	Supplier	Geographical spread	Sample strategy[i]	Representation	Vulnerabilities	Output	Depth
Segmentation January 2017	Quantitative research	Allto Consulting	Random across region including Hartlepool	1000 – Anglian region 200 – Hartlepool region Quota based, ONS stats for our region	Representative of customer base	Yes, 13% self identified, 21% deemed	Six customer segments set out in PowerPoint report and eight golden questions	5
Co-creation workshops March 2017	Qualitative in depth, co-creation	Given London	Four towns within the Anglian region and one in Hartlepool	60 – Anglian region 15 - Hartlepool chosen to represent AW segments	Targeted segments including one group recently suffering 2-4 day outage	Information not captured for this work	Key insights set out in PowerPoint report with ideas pack. Separate Horncastle outage report	5
Acceptability research (phase 1) May 2017	Quantitative research	Accent	Random across region including Hartlepool	979 – HH Anglian region 50 – HH Hartlepool 498 – NHH Anglian region Quota based, latest census data	Representative of customer base	Income and receipt of benefits	Findings set out by segment in PowerPoint report	5
Acceptability research (phase 2) January 2018	Quantitative research	Accent	Random across region including Hartlepool	945 – HH Anglian region 50 – HH Hartlepool 500 – NHH Anglian region Quota based, latest census data	Representative of customer base	Income and receipt of benefits	Findings set out by segment in PowerPoint report	5

Channel	Primary methodology (incl depth)	Supplier	Geographical spread	Sample strategy[i]	Representation	Vulnerabilities	Output	Depth
Acceptability research (phase 3) April 2018	Quantitative research	Accent	Random across region including Hartlepool	1000 Dual supplies 200 Cambridge W 200 Essex and Suffolk W 200 Hartlepool W 500 NHH customers	Representative of customer base, and different service types	Identified and reported separately	Findings set out by segment in PowerPoint report	5
Vulnerability research May 2017	Ethnographic depths	Accent Community Research	In-home interviews around the region including Hartlepool	40 – Anglian region 4 – Hartlepool representing various types of vulnerability,	Focus on vulnerability	100% representation	Joint report setting out recommendations plus two detailed reports	5
Community ODI research Quarterly 2015 - 2018	Quantitative research	Allto	Random across region including Hartlepool	3,661 - Anglian 637 – Hartlepool Quota based, ONS stats for our region	Representative of customer base	22% of respondents deemed	Topline results report each quarter plus detailed presentation covering the three years	2
Ofwat SIM surveys	Quantitative research by Ofwat	Allto	Random across region including Hartlepool	900 – selected batches of customers who have contacted us	Customers who have contacted AW between 2016 -17 Q1 and 2017-18 Q2	Not captured	SIM survey results	2

Channel	Primary methodology (incl depth)	Supplier	Geographical spread	Sample strategy[i]	Representation	Vulnerabilities	Output	Depth
H2O Lets Go!	Footfall at on the ground events Pledge cards Be the Boss Digital plan Social polls Social media reach Social media engagement Video views Traditional media reach Brand exposure hours BH Weekend video	Given London	14 locations including Hartlepool for the electric van, quiz respondents random across the region including Hartlepool.	13,325 – footfall around the van and the events 151 pledges 5,016 participants *2,610 views* 11,277 votes *776,410 reach* 25,333 likes, shares, clicks 57,570 views *4,043,800* *5,996 hours* 6,670 views and clicks	Self selected from people at the van location	Not captured	Powerpoint report setting out aims and findings, and engagement numbers	2 4 5 1 3 1 3 2 1 1 2
Vulnerability focus groups April 2018	Focus groups	Community Research	Six groups across the Anglian region and one in Hartlepool	43 – Anglian region 9 - Hartlepool	Targeted groups focused on specific vulnerabilities	This is the focus of this work and several vulnerabilities represented	Report setting out insights gained and recommendations for Anglian to consider	5
Retailers May 2018	Interviews	-	A retailers licence covers Anglian and Hartlepool regions	5 of the 21 with a licence in our region	Mix of retailer types including incumbent and new entrant	Not applicable	Minutes from meetings	3
Focus groups stage 2 December 2017	Focus groups	Given London	Anglian and Hartlepool regions	21 from three towns in Anglian region 9 from Hartlepool	Mix of ages and circumstances Daventry customers recruited from those suffering recent outage	Not recorded	Key insights set out in PowerPoint report with ideas pack. Separate Daventry outage report	5

Channel	Primary methodology (incl depth)	Supplier	Geographical spread	Sample strategy[i]	Representation	Vulnerabilities	Output	Depth
Main stage WTP survey September 2017	Quantitative stated preference research	ICS and Eftec	Random across region including Hartlepool	11 – cognitive interviews 30 – 2 hall tests 109 – pilot DCE 157 – pilot BWS 750 – HH main DCE study Anglian region (combined services & sewerage only) 150 – HH main DCE study Hartlepool region 453 – HH main BWS study Anglian region (combined services) 448 – NHH customers Anglian region (combined services & sewerage only) 52 – NHH customer Hartlepool region	Quota based, representative of our region		Detailed report setting out findings supported by a number of appendices	5
CCWater research report – water matters	Quantitative research	CCWater	Random across Hartlepool region	1,050 (in seven annual waves of 150)	Representative, each year from 2012-13 to 2017-18	Not recorded	Report published on CCWater website	5

Channel	Primary methodology (incl depth)	Supplier	Geographical spread	Sample strategy[ii]	Representation	Vulnerabilities	Output	Depth
Segmentation January 2017	Quantitative research	Allto Consulting	Random across region including Hartlepool	1000 – Anglian region 200 – Hartlepool region Quota based, ONS stats for our region	Representative of customer base	Yes, 13% self identified, 21% deemed	Six customer segments set out in PowerPoint report and eight golden questions	5
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Channel	Primary methodology (incl depth)	Supplier	Geographical spread	Sample strategy[ii]	Representation	Vulnerabilities	Output	Depth
CCWater research report – water matters	Quantitative research	CCWater	Random across Hartlepool region	1,050 (in seven annual waves of 150)	Representative, each year from 2012-13 to 2017-18	Not recorded	Report published on CCWater website	5

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[i] Sample strategy counts the number of interactions with customers. In a lot of cases that is the same as the number of customers, but in some, for example the online community, the same customers will engage on a variety of topics. Italicised numbers rating 1 on the depth scale are not counted in the overall engagement number, and are reported as an awareness number.

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