



ANGLIAN WATER INDEPENDENT CHALLENGE GROUP

MINUTES

Date: 14 June 2024

Time: 09:30-12:30

Location: Virtual

Present:

- Craig Bennett – Chair (M)
- Gill Holmes – Independent (M)
- Peter Holt – Chief Executive, Uttlesford District Council (M) (joined for ICG only session)
- Joanne Lancaster – MD, Independent (M)
- Paul Metcalfe – MD, PJM Economics (M)
- Nathan Richardson – Waterwise/Blueprint for Water (M)
- John Vinson – CCW (M)

- Darren Rice – Regulation Director, Anglian Water
- Abi Morgan – Regulation Programme Advisor, Anglian Water
- Lottie Williams – PR24 Customer Insight Lead

- Vicky Anning – Secretariat (O)

Apologies:

- Victoria Williams – EA (M)
- Justin Tilley – Natural England (M)

Summary of actions

Actions from June meeting	Status
1. ICG members to revise TORs	Ongoing
2. ICG members to meet with Mark Thurston	Pending
3. DR/AW to keep ICG updated on pending legal cases	Pending
4. CB/JV and VA to draft/agree a standard answer for customer queries that come to the ICG.	Open
5. Jo to reach out to Claire Higgins regarding future participation	Open
Open actions from April meeting	
6. Add winter preparedness to the autumn ICG agenda	Open
7. Add water demand in response to Cambridge development to future agenda	Open
8. Peter Holt to keep ICG updated on Water Summit outcomes	Ongoing
9. Set up Task and Finish Group on Zero Escapes Strategy	Pending
10. Regular updates on PIRP to be included at future ICG meetings	Ongoing
11. Andrew Brown to circulate slide deck	Open
12. AW colleagues to explore options of site visit, potentially to WRC	Open

Meeting minutes

Item	Action
<p>1. <u>Welcome from ICG Chair</u></p> <p>Craig Bennett, Chair of the Independent Challenge Group (ICG), welcomed participants.</p> <p>He explained that, before the General Election was announced, this ICG meeting had been planned as a chance to discuss Ofwat’s Draft Determination (DD). However, the Ofwat timetable had changed to reflect political events and the July ICG meeting had been rearranged for Friday, 19 July to accommodate the new Ofwat schedule.</p> <p>Instead, this meeting would be a chance for a brief update from Anglian Water colleagues followed by an ICG only discussion around the future direction of the ICG, including revising the ICG Terms of Reference (TOR).</p> <p>Craig said the expectation was that the ICG would continue in some form over the next price review. However, there were a lot of variables, including the General Election, which led to some uncertainty about the direction of travel for the water industry in general.</p> <p>Added to that was the appointment of a new Chief Executive and Chair of Anglian Water (AW), which led to further uncertainty.</p>	

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<p>However, Craig felt there would be the expectation of more challenge rather than less challenge in the next Price Review, reflecting the level of scrutiny the water industry finds itself under. Following Andrew Brown’s attendance at the last ICG meeting, Craig also felt that there was potentially a wider role for the ICG regarding the company’s social purpose.</p> <p>Following the publication of the Review of Independent Challenge Groups, ICG members would discuss the current Terms of Reference and come up with a new proposal to share with the Chief Executive.</p> <p>Minutes for the 19 April 2024 ICG meeting were approved.</p>	<p>Action ICG members</p>
<p>2. <u>Update on Price Review process</u></p> <p>Darren Rice, AW’s Regulation Director, gave an update on the Price Review process. He explained that Ofwat’s DD publication had been postponed until 11 July due to political events. The company was working to the assumption that there would then be a seven-week window to respond by 29 August (this would be confirmed as soon as possible).</p> <p>As well as receiving the DD, the company would also get the results of the quality and ambition assessment. Final Determinations (FDs) were still due to be published on 19 December.</p> <p>Under the terms of the licences, Ofwat needs to publish the FDs by 31 December. However, Darren explained there may potentially be some consultation around postponing publication of FDs until 31 January, depending on readouts from the DDs across the sector.</p> <p>Darren said the new timeline created a good opportunity for AW’s new Chief Executive Mark Thurston to join the business before DD publication. Mark was due to join the company on 1 July.</p> <p>Most recently, Mark led HS2 for six years and before that led a European consultancy on the 2012 London Olympics. Darren said his skills and experience in large infrastructure projects would be invaluable, given the scale and nature of AW’s infrastructure.</p> <p>Mark would formally step up to be Chief Exec on 5 August. AW’s current Chief Exec Peter Simpson would remain as strategic advisor until the autumn, with a formal handing over of reins on 5 August.</p> <p>Craig said he would make sure ICG has a chance to meet Mark in due course.</p>	<p>Action CB</p>

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<p>Questions</p> <p>Jo Lancaster asked whether the potential delay in the Ofwat process was likely to create investor anxiety, particularly with regards to capital investment strategies.</p> <p>Darren responded that the DD would go a long way towards positioning investor confidence. At the moment, water companies were flying blind although a review of party manifestos suggested that there wouldn't be huge changes in first few weeks of the next government. Darren suggested it would be difficult for a new government to make wholesale changes during PR24, but reform would likely start in earnest towards the end of the Price Review.</p> <p>John Vinson (CCW) concurred with Darren's read out and asked whether fines were likely to be revisited as a way of managing the water sector under a new government.</p> <p>Darren said there had already been discussions around repurposing fines into direct river restoration and quality improvements. He would also expect to see the position on bonuses more formalised under a potential Labour government, which may be more sensitive around the issue of dividends and how those are linked to performance.</p> <p>Craig also agreed that it would be unlikely that Labour would go for big overhaul of the process in the short term but speculated whether they might delay publication of DDs. Labour would likely want to generate headlines that they were being tough on water companies, if they came to power.</p> <p>Darren said the company was not hearing those rumblings but he did agree that any incoming government would want to be assured of the tone and messaging of DDs. He said there were some signs that AW's Business Plan was positioned more favourably compared to other companies.</p> <p>Craig asked about a BBC story published that day about spills across the sector in dry weather in 2022.</p> <p>Darren said AW had been aware of the BBC's intent to publish this analysis. The headline water sector response was that the BBC had relied on raw data from monitors and used hypothetical models to derive their numbers. The figures hadn't been validated by companies and the water sector felt that this report didn't give a fair sectoral view.</p> <p>Gill Holmes asked about a recently reported AW conviction at Peterborough Magistrates Court around failing to provide data to the Environment Agency (EA).</p> <p>Darren responded that there were three cases raised by the EA around the provision of data. As part of that hearing, AW was found not guilty of two more serious offences of being deliberately obstructive. AW was found guilty on the least serious offence: not giving EA all the latest data from flow monitors. Sentencing was due to happen in due course (5 July). Darren</p>	

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<p>expressed some disappointment at the tone of language used by the EA, which he felt had inflamed the situation.</p> <p>Nathan Richardson asked about Ofwat’s wider prosecution around information on wastewater treatment works and performance, and when that was likely to be resolved.</p> <p>Darren said there were two investigations underway. The first one involved six water companies, including AW. He understood that Ofwat had issued provisional findings in private and confidentially to three of the six companies, not including AW. He didn’t know the details but was aware that companies had pushed back quite vociferously on Ofwat’s findings. There were no imminent developments expected in AW’s case but Darren would bring any further updates to the ICG.</p> <p>In terms of the EA investigation, this was also expected to run for several years so nothing imminent was expected.</p> <p>Nathan asked for the company to report back to the ICG on any developments. Darren agreed.</p> <p>Craig also asked for a quick update on the reservoirs and the ongoing consultations, as well as any updates about cost sharing with Cambridge Water.</p> <p>Darren reported that the next phase of public consultation was live. There were more detailed plans about the specific design of the reservoirs. The latest proposal was that AW would recover full development costs for Fen Reservoir from AW customers in AMP8 in order to minimise delays to the process. He expected this to be addressed in the DD.</p> <p>Paul Metcalfe asked whether there had been further discussion about capitalising reservoir costs.</p> <p>Darren said that AW had sought KPMG’s advice on this: roughly 50% of costs would be capitalised and 50% would be counted as Opex, which would have a positive impact on customer bills.</p> <p>Future meetings</p> <p>Craig mentioned future ICG dates for July and August. The approach was to hold dates in diary at this stage – some of meetings might be dropped or made shorter.</p> <ul style="list-style-type: none"> • Wednesday, 21 August 2-4pm – virtual ICG meeting • Friday, 6 September 9-12.30pm– virtual ICG meeting TBC • Thursday, 26 September for longer face to face meeting TBC • Friday, 22 November – in person (9.30am-4pm) 	<p>Action DR/AW</p>

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<p>3. <u>ICG only session</u></p> <p>Craig kicked off the ICG only session by asking John Vinson from CCW to share some views and context about the role of ICGs, reflecting on the findings of the CCW-commissioned Review of Independent Challenge Groups.</p> <p>John explained that he wasn't directly involved with the report production but, reflecting on his involvement with other company's ICGs, his personal experience was that AW's ICG was a good model to build on. There had been a variety of different approaches and responses and engagement levels from companies across the sector, which were reflected in the report.</p> <p>John said the main points raised in the report focused on:</p> <ul style="list-style-type: none"> • governance (independent element including independent chair and board accountability and listening to ICG; AW challenge log was a good example of that). • ongoing ability of ICGs to scrutinise business plans and delivery • transparency • ongoing monitoring (ICGs can play a valuable role here) • guidance around recruitment policy, independence, expertise etc (AW has one of best mixes of expertise among ICG groups) in order to play role of "critical friend". <p>In summary, John felt that AW's ICG was in a good place and was definitely in the upper quartile in terms of performance across the sector. Points to work on included of timely sharing of information from the company to give ICG members time to give papers sufficient scrutiny.</p> <p>There was discussion around next steps for the report and recommendations made in the report and whether Ofwat mandates/requires ICG.</p> <p>John also reflected on the role of CCW as an independent body at an arm's length from Ofwat; it was also unclear what that might look like after the election.</p> <p>Craig felt reassured by John's assessment of AW's ICG and said it was timely to have this conversation about the ICG's future direction now. Craig's hope was that AW's new Chief Executive and Chair would want a stronger ICG, irrespective of Ofwat's decision.</p> <p>He said that ICG's job over the summer was to agree revised TORs for the future that can then be presented to new Chief Exec and Board. His hope was that this would all be up and running by the new Price Review, which would mean that the ICG would not just be reacting to what company was doing but would be helping to shape AW's plans.</p> <p>There was a general discussion among ICG members, which included the following observations:</p>	

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<p>Governance and transparency</p> <ul style="list-style-type: none"> - Links with the AW Board were better in this Price Review but could be strengthened even further. For example, ICG could be involved in drafting the agenda for Board papers to make sure that the voice of the customer was heard. - ICG meetings could be timed to reflect Board cycles. - Craig was also keen that the ICG was considered as an instrument of the Board. - Members would like to see a regular dashboard reflecting company performance in a tighter regular rhythm to reflect the Board timetable (in the style of Andrew Snelson’s previous reports). AW had committed to quarterly updates and needed to be held to account on this. - It would also be key to continue to monitor the company’s performance against targets and actions in the Service Commitment Plan, which members found very useful. - It was agreed that the ICG could play an important role in scrutiny of AW’s Corporate Social Responsibility – looking at how they deliver against their stated purpose in terms of providing social value, helping to strengthen this area of the company’s performance as more than a provider of water (looking at relevant industry standards). - In terms of delivery on commitments, ICG needs to think carefully about how they position themselves on challenging the company’s delivery agenda (e.g. on area such as the Pollution Incident Reduction Plan). - It was agreed that the ICG needs more focus on delivery than it has had to date. <p>Timeliness</p> <ul style="list-style-type: none"> - It was agreed that more timely provision of company information was really important to enable the ICG’s role of ongoing and deeper scrutiny of company plans. - More timely and regular information on performance would allow the ICG to be more proactive and less reactive so members could see emerging trends rather than snapshots in time (see above point regarding dashboard). <p>Composition</p> <ul style="list-style-type: none"> - There was a suggestion that ICG composition should be roughly half industry experts and half customers acting in a personal capacity. - There was discussion around the need for more expertise in affordability and vulnerability – John suggested that CCW could give more input on this area as they have recently recruited a specialist. Other members suggested approaching regionally based representatives of national charities such as the Joseph Rowntree Foundation. - AW was the only ICG in the East of England to invite a local authority representative; given that local authorities were vital stakeholders in areas including flood resilience and vulnerability/affordability, members agreed this was valuable to the ICG composition. - Expertise in engineering and infrastructure would also be helpful in light of significant developments for AW in this area over the next Price Review. 	

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<ul style="list-style-type: none"> - Expertise in behaviour change may also be helpful to allow for further ICG scrutiny in this area, also referenced in the CCW report. <p>Compensation</p> <ul style="list-style-type: none"> - Members who join the ICG in a personal capacity receive an honorarium and expenses to cover their time; those representing organisations don't currently receive compensation. - Having an agreed approach would help with recruitment to the ICG and make up of the board – and would enable to reach back out to previous members or potential members in the area of affordability and vulnerability. <p>Action: Jo to reach out to Claire Higgins for her thoughts.</p> <ul style="list-style-type: none"> - In terms of compensation/expenses for ICG members, there was discussion about whether funding via Ofwat/CCW would allow for more independence. <p>Drafting of Terms of Reference</p> <p>ICG members agreed that the areas of scope and areas of scrutiny under the current TORs needed to be tightened up to reflect the findings of the CCW report.</p> <p>John pointed out that there would need to be care taken around duplication of effort and CCW would be able to share some of their findings to help with ICG's work (for example, in terms of affordability and vulnerability). In terms of funding/compensation, contracts could be issued to assure independence.</p> <p>Paul pointed out that the TORs may need to be rewritten again once Ofwat's view is clearer in terms of the role and remit of ICGs. He felt that the CCW report was useful but fell short of issuing best practice guidelines, which would be useful in future.</p> <p><i>Statement of intent and purpose</i></p> <p>ICG purpose: to provide independent challenge and scrutiny at a strategic level, rather than at an operational level (e.g. customer issues).</p> <p>ICG's role is to provide independent challenge for the company in terms of its strategic direction, its investments, its delivery and operation against that strategy.</p> <p>In the longer term, it would be good for Ofwat to require all companies to have ICGs and for Ofwat to provide clear TORs.</p> <p><i>Outputs</i></p> <p>There was discussion around producing an annual ICG report (or more regular six monthly reports) about what the ICG has been doing, as well as an annual assessment of how the company is performing. Ideally this would be published alongside the company's annual report.</p>	<p>Action JL</p>

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<p>The ICG might also publish occasional statements or reports about specific issues, and/or deep dives from Task and Finish groups.</p> <p>Members agreed it would also be helpful to continue publishing the ICG challenge log, as per the CCW report's recommendations; there were also discussions around making the challenge log more accessible/less unwieldy by publishing it more regularly.</p> <p>It was agreed that the ICG needs to agree a standard response to customer complaints, if these are received.</p> <p>John suggested that complaints should be referred to CCW: https://www.ccw.org.uk/advice-and-support/make-a-complaint/</p> <p>Vicky reminded ICG members that there was an ICG email address that queries could be referred to that was available on our website: pr24_independentchallengegroup@anglianwater.co.uk</p> <p>Action: CB/JV and VA to draft/agree a standard answer for customer queries that come to the ICG.</p> <p><i>Ways of working</i></p> <p>ICG members agreed that more frequent but shorter online meetings would be helpful, to reflect the rhythm of AW as a business and respond to issues arising.</p> <p>This would be supplemented by one or two face to face meeting per year.</p> <p>Members agreed that challenges could be submitted by email between meetings.</p> <p>Task and Finish groups were preferred over sub panels, which seemed a bit unwieldy and time consuming during PR14 – and didn't necessarily lead to better challenge. This could be reviewed as circumstances changed.</p> <p>It was also agreed that the Chair of the Customer Board should be invited to attend once or twice a year and Craig to attend at least one of their meetings.</p> <p><i>Timeline</i></p> <p>It was agreed to produce and agree interim TORs as soon as possible to share with Board over the summer. This could potentially serve as an exemplar for other ICGs.</p>	<p>Action JV/CB/VA</p>