



Anglian Water's Independent Challenge Group

Terms of Reference

Purpose

Replacing the previous Anglian Water Customer Engagement Forum, the New Independent Challenge Group (hereinafter ICG) is an independent and critical friend to Anglian Water. It scrutinises and constructively challenges Anglian Water on:

- the quality of its engagement with the customers and the wider communities and stakeholders it serves
- the extent to which customer priorities are reflected in what the company does, and
- the company's delivery against those priorities.

The ICG will play an important role in helping Anglian Water to achieve its ambitious vision as laid out in its Strategic Direction Statement (2020-2045), which outlines four stretching and long-term goals agreed with customers:

- To make the East of England resilient to the risks of drought and flooding
- To enable sustainable economic and housing growth in the UK's fastest growing region
- To become a carbon neutral business by 2030
- To work with others to achieve significant improvement in ecological quality across catchments.

Achieving this vision requires Anglian Water to build trust and work with the many stakeholders that have an impact on the water and the wastewater system in the regions Anglian Water serves, including Hartlepool.

At a time when trust in water companies is at a low ebb, Anglian Water will need to develop a good understanding of what customers and communities want, of how to help deliver this, and of where, when and how to work with others. The ICG will help to develop this understanding.

As part of this, the ICG will play an important role in helping Anglian Water to develop a business plan that reflects customer views for the period 2025-2030 (Asset Management Period (AMP) 8) and in developing a good quality submission to Ofwat for its 2024 price review (PR24), within the remit of Ofwat's Long-Term Delivery Strategy (LTDS).

The ICG will offer independent scrutiny and challenge Anglian Water to use the most effective and efficient techniques for customer engagement, to develop an effective and robust strategy for engaging across all its diverse communities and customers, and to ensure clear line of sight through from insight into action.

In addition, the ICG will hold Anglian Water to account for delivering against its promises to its customers, communities and the environment. This includes, but is not limited to, holding Anglian Water to account for delivering against the 2019 price review performance commitments.

In its work, the ICG will take account of the diversity of the Anglian Water catchment area, both in terms of its habitats and its people. The ICG will work alongside the Customer Board, which represents the interests of Anglian Water customers, reflecting the priorities of the full range of interests across the company's area: including current and future bill payers, other members of the household, anyone who lives or works in the area alongside community groups and tourists and travellers passing through.

Ofwat's expectations

Although the ICG is no longer mandated by Ofwat, as it was in PR19, it remains an important source of independent challenge, scrutiny and assurance for Anglian Water and its stakeholders.

In Ofwat's [Creating tomorrow, together](#) paper of May 2021, Ofwat stated it would not be defining the role of a customer challenge group for each company. Instead, Ofwat proposed the development of standards for high-quality research, customer challenge and assurance and use of customer and stakeholder engagement evidence. In Ofwat's February 2022 position paper [PR24 and beyond: Customer engagement policy](#), "companies are expected to put in place challenge and assurance solutions to meet their individual needs, ambitions and circumstances".

In the February 2022 paper, Ofwat laid out minimum standards for high-quality research, customer challenge and assurance of customer engagement, stating that "overall, water company research and engagement should follow best practice and lead to a meaningful understanding of what is important to customers and wider stakeholders". This research should be reviewed and assured by individuals or groups that are independent of water companies: "Those that are reviewing should have a range of relevant skills and experience and should feel confident to challenge on all aspects of research. Information shared with them should be relevant and timely. Water companies should be transparent about the research findings, and in what ways it has been used."

In the same paper, Ofwat lays out expectations for independent customer challenge as follows:

“Customers and their representatives must be able to challenge the companies’ ongoing performance, business plans and long-term delivery strategies. The purpose of customer challenge is for companies to receive feedback on what issues matter to customers, what their views are on various aspects of companies’ activities, and to enable customer comment on how well plans reflect their needs, priorities and preferences.”

Ofwat expects evidence of customer challenge to demonstrate the following (to follow is an excerpt of *PR24 and beyond: Customer engagement policy*):

Independence

The people involved in customer challenge, and the process of challenge, are independent of the company. It is of primary importance that the mechanism for customer challenge is truly independent of the company and ensures that the company listens to representative voices. This means that challenge solutions should:

- Be at arm’s length from the company, with no restrictions or expectations placed on it which would compromise its independence. Any conflicts of interest or links between the source of the challenge and the company should be clearly explained and justified.
- Minimise company contribution to, and review of, any outputs from the customer challenge before it is shared publicly. The public sharing of all outputs from the customer challenge is a key requirement of companies, to ensure transparency. Companies should check for factual accuracy of outputs but should avoid any undue influence.

Ongoing

Customer challenge is ongoing, addressing both development and delivery of business plans.

Companies should be able to provide evidence of welcoming and responding to challenges on their day-to-day performance as well as during the development of their business plans for price reviews and long-term delivery strategies.

Informed

The challenge process is informed by high-quality, comparative information and trends over time.¹ This includes:

- The company and others providing access to, and explanation of, all relevant and helpful information, data and evidence with which to compare

¹ Further information on this and the emerging ‘challenge coordination group’ should be available through an update on CCW’s *Future consumer representation models* due in spring 2022.

performance with other companies and over time, to enable meaningful and effective challenge.

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- Information being provided freely by the companies when requested, with nothing deliberately withheld, and no limitations on sharing (unless justified due to customer data protection or commercial sensitivities).
 - Those challenging should have the time, resources and expertise to do so effectively.

Transparent

The company is transparent about the nature of challenges raised, the company response to each challenge and the company's relative performance.

Companies should be able to demonstrate that they have been transparent with customers about their relative performance levels by using information with definitions wherever possible that are consistent across the industry. Companies should be able to provide evidence to demonstrate how they are listening to customers. This should include:

- An explanation of how evaluations of different business plan options have taken account of customer views, with a focus on the options which provide the greatest benefit for customers and the environment.
- Timely publication of evidence of customer views gathered through research or engagement exercises (with consideration of customer data protection and commercial sensitivities).²
- A published record of all challenges raised by customers or their representatives.
- Published evidence of the company's responses to these challenges, including reasons for why no action is required.
- Clear identification of areas of disagreement.

² In terms of confidentiality, the ICG expects the company to act in accordance with the Ofwat guidance from PR24 and beyond as follow (see p7):

"Research findings should be published and shared in full, as early as possible with as wide an audience as possible. This will add value to the evidence base on customers:

- by allowing research approaches to be understood and improved on;

- by building the shared knowledge base about customers' views, preferences and experiences;
- by allowing research findings to be considered in a comparative way – meaning water companies can better understand their own customer base, by comparison with the findings from other areas.”

Representative

Challenge comes from a representative range of customers and is open to all relevant local or national stakeholders.

The challenge process should ensure that the company takes into account the views and experiences of the broad range of customers they are serving. This could include experienced, technical specialists in customer research and water and wastewater services, and members of the general public (customers). Customer challenge should make sure that the views of the range of end user customers (including household, business, hard to reach, vulnerable and future customers) are understood by the company and taken account of in decision-making. Insight provided by intermediate customers (for example, business retailers) should also be considered.

Comprehensive

Challenge is focused on the full range of areas where customers can have meaningful views, including:

- water and wastewater services (where applicable to the company);
- customer services;
- significant investment (large one-off schemes); • performance levels; and
- bill impacts.

Challenge should focus on important and material or urgent issues which companies should incorporate into their business plans and long-term delivery strategies for price reviews or wider decision-making.

Timely

Customers are able to challenge on a timely basis, with companies responding within a reasonable time period. Companies' challenge arrangements should allow sufficient time for effective challenge.”

Company context

Across the water sector, a transition in planning is necessary. For Anglian Water, the impact is especially profound. Climate change, population and housing growth, shifting expectations of customers, increasing demand, an aging infrastructure, environmental concerns, and the pressures on people's ability to pay, necessitate fresh thinking and new approaches in water and waste management.

The ICG supports a shift in customer and community behaviours to adapt to emerging environmental concerns. Their active participation in shoring up environmental resilience, conserving and enhancing water supplies, is necessary in the long-term. Equally important is community leadership in scaling up nature-based solutions that respond to increasing weather extremes.

Overall, prices must remain affordable – particularly for those struggling to pay. Covid-19 has exposed and amplified the deep cleavages in society. The ICG will pay particular attention to inequalities in supply, special provision for those at risk of vulnerability and social tariffs for those on low incomes.

The ICG will work alongside Anglian Water's Customer Board, which represents and champions the customer voice.

Objectives – Work alongside the Anglian Water Executive Team and Management, with direct access to the Anglian Water Board, to:

- Offer independent scrutiny and challenge to make sure the company uses the most effective and efficient techniques for customer engagement, to develop an effective and robust strategy for engaging across all its diverse communities and customers, and to ensure clear line of sight through from insight into action when developing its business plan for 2025-2030.
- Hold Anglian Water to account for delivering against its promises to its customers, communities and the environment. This includes, but is not limited to, holding Anglian Water to account for delivering against the 2019 price review performance commitments.
- Take account of the diversity of the Anglian Water catchment area, both in terms of its habitats and its people. The ICG will work alongside the Customer Board, reflecting the priorities of the full range of interests across the company's area: including current and future bill payers, other members of the household, anyone who lives or works in the area (including Hartlepool) alongside community groups and tourists and travellers passing through.

Activities – Establish a work programme with the Executive to:

- Monitor performance and report on the delivery of promises made in PR19²
- Provide challenge on customer engagement in the planning for PR24³

² This might include quarterly review and understanding of why performance is ahead or behind target and at a high level, the improvement plan for off target performance commitments.

³ This could include assurances on: levels of inclusivity; range of customer and communities; appropriate research methods; robust sample sizes and unbiased and accessible research materials. It might consider customer engagement on: priorities and needs including service levels; realistic

- Review options that protect vulnerable customers on a sustainable basis

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- Consider initiatives (internal and external) proven to influence customer behaviours in reducing water consumption and avoiding damage to the wastewater system
 - Investigate methodologies for public engagement that progress customers from recipients of a service towards co-producers⁵
 - Probe the Long-Term Delivery Strategy, water resource management plans, drainage, wastewater management plans, and other statutory plans to optimise best value outcomes for customers and the environment
 - Help develop a methodology for customers to define long-term outcomes for their catchment, taking into account uncertainty and affordability constraints.

Approach – Principles guiding the activities include:

- Ensuring customer research and engagement activities demonstrate understanding of different customers' issues, wants, needs and priorities, including understanding the root cause of complaints
- Ensuring that the Anglian Water research programme is seen through a comparative lens alongside Ofwat's national and standardised models being developed with CCW
- Testing that the voice of the customer is fully reflected in the company business plan and other critical plans including the water resources management plan and strategic water resources
- Building up an understanding of the complex trade-offs over the long term

investment options including short term and long term; bills and profiles; affordability and acceptability of plans and; local issues, investments and activities impacting communities. Furthermore, there may be insights from how complaints and day to day contacts are being used to identify issues and investment priorities. Also relevant is the effectiveness of the approach taken by Anglian to involve customers in the delivery of their water and waste services i.e. collaboration and co-creation and examples of which might be water efficiency and sewer use. Conclusions drawn from customer engagement and insight to demonstrate they are evidence based and the learnings are effectively applied in the business planning.

Scope – The ICG will continue to focus on all household segments and nonhousehold customers (consumers of wholesale water and waste services) including future generations.

CCW are responsible for assessing how complaints are managed. The ICG may explore themes and issues but will not deal with or respond to direct customer feedback or complaints – if received they will be passed to Anglian Water for action and response.

In terms of the Business Plan, the ICG is **not** expected to comment on:

⁵ *The ICG is expected to review and check that:*

- *There is clear evidence that the customer and stakeholder insight gained from engagement has informed the plan submissions including the proposed performance commitments and ODIs if appropriate. This may include investment plans that are subject to the Ofwat gated approval process.*
- *Acceptability and affordability of the plan and the bill profiles is in line with customer expectations.*
- The overall content of the plan including deliverability, costs and efficiency other than when related to customer engagement and how insight has been used to shape it
- Audit plans and scope
- How risk is managed and mitigated
- Company or business plan governance.

Outputs – The ICG will:

- Write and submit an independent report(s), if required, for Ofwat or other appropriate regulator(s) setting out views on the quality and effectiveness of customer engagement completed and how this has been reflected in the plan(s) submitted.
- Review and publish independent views of Anglian Water annual performance.
- Record a log of challenges made by the group and company responses.

Membership: 8-10 members, excluding Regulators and experts called in for specific issues.

Meeting Frequency: Quarterly with a combination of site visits, virtual meetings and performance meetings at the Anglian Water headquarters in Huntingdon.

Task and Finish Groups: To be formed for specific subjects. Each Task and Finish Group will have clear objectives and agreed timescales set by the Chair.

Likely groups include:

- Customer Engagement – to review and attend research/engagement events
- Business Planning – to test that customer insight has informed plan
- Sustainability and resilience
- Affordability and vulnerability.

Board Engagement – Engaging with the Anglian Water Board is critical to the success of the ICG. As a minimum it is expected:

- Chair to attend full Anglian Water Board meeting once a year and Chair of the Board to attend one ICG meeting.
- Open invitation to Board members to attend any ICG meeting if they wish (subject to Chair agreement).
- CEO to attend quarterly ICG meetings, where possible.
- Strategy and Regulation Director, Director of Customer and Wholesale Services, Head of Policy & Regulatory Strategy, head of Economic Regulation to attend quarterly meetings wherever possible and provide Board with feedback as part of their performance updates.
- Chair or ICG member to attend at least one Customer and Stakeholder Engagement Steering Group meeting i.e. when committee is actively engaging with customers.
- Minutes and actions arising from ICG meetings to be added to Anglian Water Board packs as an Appendix.

Engagement with Anglian Water's Customer Board – Engagement with Anglian Water's Customer Board is also desirable:

- Chair of ICG to liaise with the Chair of Anglian Water's Customer Board and attend at least one meeting of the Customer Board each year.
- Chair of Customer Board to attend one ICG meeting each year.

Expectations of Members

Some materials shared with members may be classed as commercially sensitive and company confidential. If this is the case, these materials will be clearly marked as such by Anglian Water and members will be asked not to share these papers or insights gained with any other person, organisations or within their own organisation without the express consent of the ICG Chair and/or Anglian Water.

Members must not speak directly to the press. Any approach received from the Press must be notified to the secretariat immediately.

Members must declare any potential conflict of interest to the Chair as soon as it has come to their attention. The Chair, in consultation with Anglian Water, will determine what, if any, action needs to be taken.

It is important that there is continuity of membership and attendance at meetings. Members are expected to make every best endeavour to attend all meetings and provide reason for absence to the Chair. If a member misses two consecutive meetings or fails to attend on a regular basis the Chair, at their discretion, may determine that the member should be asked to stand down from the group.

All members are expected to prepare for each meeting i.e. read materials etc, so that the meeting is focused and runs efficiently.

Members of the ICG should attend customer research events or other customer engagement events as a minimum of twice a year.

Anglian Water will advise the Chair of all up and coming customer events that members can attend. It is the decision of the Chair as to who attends.

Occasionally the ICG is asked to attend non-Anglian Water specific events. All requests for attendance must be shared and approved by the Chair.

Independent members will receive expenses that will cover the cost of travel, where required.

Regulators and Businesses that are invited to the ICG are expected to pay the cost of their member of staff attending meetings, including travel and preparation.

Administration

Anglian Water will provide a secretariat for the ICG meetings and the Chair and will help to organise meetings.

Materials will be provided to the ICG in a timely and accessible way.

Minutes will be kept independently and will be made publicly available on the Anglian Water website, once approved by the ICG.

Anglian Water will provide meeting premises and meeting links for ICG meetings and also make provision for ICG-only sessions, where required.

The ICG will compile a log of ICG challenges and keep a note of company responses.

Quorum

At least four members of the ICG should be present for meetings (not including Anglian Water representatives). The majority of meetings will be held online to facilitate attendance.

Appendix 1: Independent Chair summary of role

Key purpose of role

The Anglian Water Independent Challenge Group exists to help, advise and challenge Anglian Water as it engages with customers and stakeholders to develop its long-term strategy to 2050 and business plan for 2025 to 2030.

This plan will affect over 6 million water and wastewater customers in east of England and Hartlepool, as well as local businesses, communities and the environment.

The Anglian Water ICG will play an important role in helping to ensure that the plan for the next five years strikes the right balance between the views and priorities of different customers and stakeholders in the region, as well as the longer-term requirements for a safe and resilient water supply.

The Chair will play an essential role in ensuring the ICG operates effectively, independently, collaboratively and responsibly. They will be an ambassador for the ICG, providing strategic direction and coordination. They will be appointed by an independent recruitment process.

Role and responsibilities

- Chair meetings of the ICG, coordinating collation of members' views and approval of agendas, minutes, reports and the overall meeting programme.
- Ensure the ICG members work together effectively by facilitating constructive discussions, ensuring every member has the opportunity to voice their views, agreements are reached wherever possible and areas of differing views are managed effectively
- Ensure that the ICG reviews, advises and challenges Anglian Water on its engagement programme and business plans in a constructive and timely way that will satisfy the group that customer, Ofwat and quality regulators' requirements have been met.

- Report to Ofwat on the view of the Anglian Water ICG on whether the company's business plan reflects a sound understanding and reasonable balance of customers' views, and whether the phasing, scope and scale of work required to deliver outcomes is socially, economically and environmentally sustainable.

Skills and experience

- Independent of Anglian Water and other members of the Anglian Water ICG
- Excellent leadership, facilitation and communication skills
- Ability to understand complex strategic issues, analyse and resolve difficult problems
- Experience of customer and stakeholder engagement
- Sound judgement, common sense and diplomacy
- Business and financial acumen
- Ideally living in the Anglian Water region
- Interest in the water industry (previous knowledge and experience not essential).

Terms and conditions

Term - The Chair will be appointed for a four-year contract from January 2022 until June 2026.

Time commitment – estimated 8-20 days per year (varying between years) to include full day meetings of the Anglian Water ICG three times per year plus additional time for preparing agendas, reviewing minutes and materials, other meetings and writing reports.

Location – meetings will be held online or at appropriate Anglian Water locations.