

Terms of Reference

South East Water – Independent Customer Challenge Group

Last updated November 2019

1. INTRODUCTION

This Terms of Reference for South East Water's Independent Customer Challenge Group (CCG) has been developed by the CCG and South East Water (SEW) jointly. It has been shared with the water regulator Ofwat, and is published on the CCG website – www.customerchallenge.co.uk. It has been created having considered good practice cross-sector learning on customer challenge groups/panels. All references to 'The Company' refer to SEW.

2. ROLE

South East Water's CCG is an independent Group whose overarching aim is the delivery of the best possible experience for SEW customers (see Section 3 below for definition of 'customer'). This is in line with the Company's vision and strategy 'to be the water company people want to be supplied by and want to work for'. The CCG provides independent scrutiny, advice and challenge to SEW regarding:

- a) The quality of its stakeholder engagement and insight
- b) The extent to which the results of this insight are driving decision making
- c) How and the extent to which SEW is delivering against its promises to customers which are outlined in its business plan.

In addition, whilst not a primary function, the CCG is able, if appropriate and in the interests of current or future SEW customers, to perform an advocacy role - challenging and advising the water regulator Ofwat, government and wider decision makers.

The CCG will produce an annual report on SEW's performance in relation to its business plan promises and commentary of their progress on engagement. This will be published on its website, and sent to the water regulator Ofwat and the statutory watchdog for water consumers, CCWater. The first report will be published in 2020.

The Customer Challenge Group (CCG) shall be the name used for all functions in reports. The specific functions will be kept under review and updated as required.

3. DEFINING CUSTOMER

For the purpose of the CCG role, 'customer' is short-hand for the following current and future stakeholders:

- *Customers* – those who pay for using water. Customers may be businesses, third sector not for profit organisations, or individuals who use water.
- *Consumers* – those who use water but may not directly pay for the water they benefit from e.g. non-bill payers in a household.
- *Citizens* – members of society who are directly and indirectly impacted by the Company's activities.

- *Organisations and communities* – that are effected directly or indirectly by SEW’s activities e.g. road works, or its activity as a local employer.
- *Public interest* – collectively citizen and community interests reflect the ‘public interest’ e.g. reducing carbon emissions, minimising pollution, ensuring affordability which can have wider public benefits such as improving health and social well-being.

4. PRINCIPLES FOR PRIORITISATION

To help prioritise the Group’s activity and to maximise its effectiveness the CCG has developed some high level ‘Principles for Prioritisation’. These principles guide where the Group undertakes greater scrutiny, or ‘deeper dives’ into the Company activities and also helps provide transparency around the rationale for it focussing more on some areas than others.

	Principle	Detail
1	Regulatory/government requirements	The CCG will consider any areas that the water regulator Ofwat, and other decision makers explicitly request the CCG focusses on. There may be times when the CCG disagrees with a proposed area. Where this happens we will explain the rationale for our approach. We may go beyond any suggested minimum areas if the following principles (2-7) are met.
2	High customer priority	If customer (as defined in Section 3 above) insight indicates that an area is a high priority for stakeholders, the CCG will consider if it should put particular focus on that area.
3	Where CCG is best placed to advise, scrutinise and challenge relative to others	The CCG will consider where it is best placed to advise, challenge and scrutinise compared to other organisations. We will focus primarily where there are gaps in scrutiny and seek to complement rather than duplicate the work of other bodies such as CCWater, Ofwat and other regulators. This will require regular and open communication between the CCG and other bodies.
4	Customer impact	The CCG will have a strong focus on customer outcomes. The Group will prioritise activities where there is the greatest risk and opportunity to deliver benefit to current and future customers. The CCG will consider not just the scale (numbers impacted) but also the depth of impact. For example, a particular decision may disproportionately impact a small group of customers resulting in significant detriment to them. Some impacts may be financial e.g. bill impacts, while others may be non-monetised such as influence how much the company is trusted, its legitimacy, customer convenience, satisfaction and experience.
5	Greatest need	The Group will consider where SEW needs the greatest scrutiny and support e.g. areas where performance is weaker, or the company lacks or is in its infancy in building skills or knowledge. As part of this we will also consider open challenges on the Challenge Log from the PR19 business plan scrutiny process.
6	Resourcing required versus potential impact	We will consider the resourcing required including time and skills available relative to the potential benefits of focusing on an area.
7	Innovation and good practice	We will encourage innovation and good practice to help consistently raise the bar in terms of SEW’s performance, including efficiency and effectiveness.

5. SCOPE for 2019-21

Based on the prioritisation exercise above the Group's selected areas of focus for 2019-21 will be:

- The company's engagement strategy and related activity – this includes engagement in the development of the Water Resources Management Plan
- Progress against the commitments outlined in the PR19 business plan

In particular there will be deep dives into the areas of:

- Water Resources Management Plan
- Leakage
- Interruptions and bursts
- SEW's resilient customer concept
- Carbon reduction
- Water quality
- Water efficiency
- Consumer vulnerability
- Responsible business
- Customer satisfaction

These areas will be kept under review and amended as appropriate dependent on any regulatory or policy requirements.

6. OUT OF SCOPE

The Group will not, as part this responsibility:

- Act as a substitute for the Company engaging with its customers
- Substitute its views for those of customers
- Seek to duplicate the role of another statutory body such as the Environment Agency, Natural England, CCWater nationally or regionally. It can however work with and support their role
- Have any decision making powers.

7. WAYS OF WORKING

The CCG may carry out its role as outlined in Section 2 via:

- **Main CCG meetings**
There will be minimum quarterly meetings of the whole CCG where the Group will scrutinise the Company's approach. The CCG will seek to ensure it hears from a diverse range of people from SEW at all levels, and have external speakers where appropriate to ensure independent perspectives. This will include speakers from the Drinking Water Inspectorate.
- **Working groups**
The CCG may set up working groups to enable it to provide a higher level of scrutiny in certain priority areas. These areas will be determined in line with the Principles for Prioritisation in Section 4. The role, membership, frequency and working of these groups may vary but will be outlined in their respective Terms of Reference as appropriate.
- **Site visits**
CCG members may undertake site visits organised by SEW to better understand key parts of

the business.

- **Bi-laterals and independent work**

Group members may have bi-laterals with the company and external parties to gather insight and learning.

- **Observation**

Members of the Group may observe the Company's engagement activity including events, workshops and focus groups. This is to hear stakeholder views first hand and to evaluate the Company's engagement approach. Where events are observed, an observation sheet will be completed to act as the evidence base for assessing the company's ongoing engagement activity.

- **Independent research**

Dependent on need, the CCG may undertake its own independent research or commission others to undertake activity.

- **Information requests**

The CCG can request information from SEW. Individual questions are recorded in the Action Log. Substantive information requests which are likely to influence policy and practice are recorded in the Challenge Log. Both of these Logs will be published on the CCG website.

- **Review reports and news**

The CCG will review both internal and external communications relevant to its role, including but not limited to, from organisations such as the independent consumer watchdog, CCWater, Ofwat, Citizens Advice and Utility Week. Members have a responsibility to share information with each other that could aid the role of the Group.

- **External meetings and events**

With agreement of the Chair, members may attend external meetings and conferences on behalf of the CCG. Members attending events on behalf of the CCG will share any relevant information from the event e.g. slides and produce a concise meeting note for the CCG to support its activity. The Group will keep an Engagement Log to capture events and meetings attended.

- **Engagement with the Board**

To ensure effective communication between the CCG and the Board and to better understand: the vision and culture of the organisation; governance approach; and to feedback on performance; board members will attend CCG meetings by invitation. The CCG Chair will also meet with individual members of the Board (in particular Non-Executive Directors) and present to the full Board at least annually to share the CCG views.

8. WORKPLAN AND LOCATION OF MEETINGS

- A workplan will be established by the CCG for the year ahead and published on the CCG website .

- Meetings will generally take place at SEW's Head Office in Snodland or at an agreed accessible location in London. Meetings with external stakeholders may vary in location.

9. QUORUM

The quorum necessary for the transaction of the business for the main CCG shall be five members. A duly convened meeting of the CCG at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in, or exercisable by the CCG. In the absence of the Chair, the Chair may nominate a deputy to chair a meeting. If the Chair is unable to do so the members may elect a Chair for the meeting.

10. SECRETARIAT

To ensure the efficient operation of the CCG SEW will provide appropriately qualified and efficient secretariat function for the CCG to ensure the timely delivery of its work.

11. NOTICE OF MEETINGS

CCG meetings, other than those regularly scheduled, shall be summoned by the Chair, ideally through the Secretariat function for the CCG provided by the Company.

Meeting dates, times and venues shall be advised wherever possible, no less than 21 days in advance of the meeting. In exceptional circumstances meetings can be called at shorter notice at the discretion of the Chair.

Unless otherwise agreed, an agenda of items to be discussed and supporting papers shall be forwarded to each member of the CCG and any other person required to attend, not later than seven days before the date of the meeting.

Any member may request an urgent meeting by contacting the Chair. The request should specify the purpose of the meeting and the discretion to allow such a meeting rests with the Chair.

12. EVIDENCE BASE

The CCG will endeavour as far as possible to be evidenced based in its conclusions with a clear audit trail. This will include via:

- **Minutes**
All meetings will be recorded. Minutes and the agenda will be published on the CCG website after each meeting - www.customerchallenge.co.uk.
- **Challenge Log**
The CCG will keep a Challenge Log. A challenge is defined as a recommendation to SEW, in line with the role and remit of the CCG, for action that has the potential to result in a:
 - Change in policy and practice
 - Change to the culture of the company
 - Change to the business plan (where appropriate)

The Challenge Log will record among other information:

- The requested challenge
- The company response including reference to any evidence of action
- The CCG view of the company response

The Log will be reviewed at each CCG meeting. A challenge can be raised with agreement of the Chair in or outside of the main CCG meetings, including in any working group meetings. All challenges will be recorded in a single Challenge Log.

- **Action Log**

The CCG will also keep an Action Log. This records all other requests e.g. for information or administrative requests such as circulating reports.

- **Observation sheets**

When a CCG member observes SEW engagement activity they will complete a standardised observation sheet of that activity which will form part of the evidence base on the quality of SEW's stakeholder engagement.

- **Referencing**

As appropriate the CCG will reference research, engagement materials and any other reports in its external communications.

- **Email correspondence**

The CCG may also capture substantive email correspondence with SEW or other parties e.g. Ofwat.

13. AUTHORITY AND POWERS

The CCG is an independent group. Its authority to carry out its duties as outlined in this Terms of Reference is given by the SEW Board. The CCG may escalate issues to the SEW Board if considered appropriate. Where this is the case and the Board decides against taking action, it will provide its reasons in writing and these will be captured in the CCG's annual report which is sent to Ofwat and CCWater.

14. CHAIR

The Chair is recruited via open competition using a good practice recruitment and selection process, including national advertising.

The Chair is selected according to their expertise and experience, on behalf of the Board, by a recruitment panel consisting of a Board non-executive director, SEW senior leaders and the independent statutory watchdog for water consumers, CCWater.

The Chair of the CCG is independent of all interests of the Company. They are not a representative of a particular organisation or group of customers so that they can focus on their role of being a strong and independent chair.

The Chair has a job description, which involves a range of duties to facilitate the CCG in delivering the duties outlined in this Terms of Reference. These include but are not limited to:

- Appointment of CCG members in liaison with SEW and existing CCG members
- The strategic approach of the Group
- Governance arrangements to ensure transparency and independence
- Effective operation of the CCG meetings including but not limited to:
 - Shaping agendas, commissioning papers and speakers
 - Facilitating the Group's discussions and communications to make sure every Group member has a full and fair chance to raise issues and contribute to all discussions and deliberations of the Group; challenge and advise the Company as outlined in these duties
- Communication with CCG members between meetings as needed
- Liaison with Ofwat, other CCG Chairs and wider decision makers as appropriate to ensure the effective functioning of the Group
- Acting as a spokesperson for the CCG including providing statements to be included in SEW's external communications
- Wider external stakeholder engagement on behalf of the CCG to ensure a diversity of views and challenge are heard. The Chair may speak freely at public events (subject to commercial confidentiality) on the activity of the CCG.
- Liaison with and presentations to the SEW Board.
- Ensuring production and publication of the CCG annual report
- Other duties as per all CCG members.

In between meetings of the Group, the Chair will be the principal link between the Group and the Company and will ensure that all Group members are kept informed and involved.

It is not expected that the Chair will be involved with more than two price review cycles.

15. MEMBERSHIP

The CCG has up to 13 members including the Chair. Representatives from the following bodies with a statutory remit in the water sector are standing members:

- CCWater
- Natural England
- Environment Agency

In addition the CCG contains expert members. These members are selected according to their expertise and experience and must act in an independent capacity, not as an organisation's representative on the Group.

Appointment and dismissal of members is the responsibility of the Chair in liaison with SEW and in accordance with the member's Code of Conduct.

To ensure independence and transparency CCWater or Ofwat may be invited to join interview panels.

Vacancies will be published on the SEW website and promoted via press and social media. In

addition, given the specialist nature of the expertise required, via professional networks. External recruitment consultants will be involved if these methods do not identify appropriately qualified candidates.

Independent expert members will not hold a position for longer than two price reviews and no longer than ten years. The ideal is to ensure a minimum of half of the expert members are replaced every five years to refresh perspectives and to minimise the risk of capture. In making appointments and re-appointments the Chair will seek to strike a balance between ensuring appropriate continuity of membership and securing new members to respond to changing needs of the CCG.

Membership of the Group may be supplemented from time to time if required with additional experts e.g. if a gap in expertise is identified. This will be agreed between the Chair and the Company.

All members will be subject to a Code of Conduct.

COMPOSITION – EXPERTISE AND EXPERIENCE

Key areas of expertise and knowledge required for the 2019-21 period are:

- Sustainability, the environment and responsible business
- Innovation
- Consumer vulnerability including affordability
- Engineering and infrastructure operation
- Stakeholder engagement and communications
- Household and business research and behaviour change
- Customer service performance
- Price controls and business planning and assurance

PERSPECTIVES

Members will also bring a diversity of perspectives including from business including wider utilities, household consumers, local/national government, regulators, third sector organisations, future users, with experience of different locations across SEW's region.

All new members receive induction training including as appropriate on the water sector, SEW's performance and approach and the regulatory framework.

16. MEMBER RESPONSIBILITIES

Member responsibilities are outlined the CCG Members Code of Conduct. They include but are not limited to:

- Independent expert members will act in an independent capacity and not represent the views of an organisation. Statutory members will provide a view on behalf of their organisations.
- CCG members should never substitute their views for stakeholder views
- Members must comply with all appropriate policies including social media guidelines, equality and diversity and health and safety policies.
- Members are responsible for undertaking appropriate preparation for each meeting including reading all the pre-read information

- Members will participate fully in the work of the CCG according to their skills and expertise
- Members must maintain appropriate commercial, intellectual property and personal property data confidentiality, including in line with requirements specified their contracts. The Company will flag documents and information shared which is sensitive.
- All potential conflicts of interest must be declared as appropriate at the start of a meeting. A Register of Interests will be maintained and published on the website. This will be updated regularly the Secretariat. Members will be invited to declare any specific conflicts of interest arising at each meeting.
- Expert members of the CCG will be expected to attend the CCG meetings in person - deputies are not permitted.
- The CCG will take responsibility individually and collectively to ensure members have a good understanding of the main obligations, issues and priorities needed to carry out their role on the CCG
- All members will support the Secretariat and Chair in complying with the Terms of Reference e.g. report attendance at meetings to keep the Engagement Log up to date; fill out observation forms for engagement events and review challenges and actions within timescales required.
- All members will ensure any challenges they have made or advice given to SEW is captured in the Challenge Log and minutes.
- All members will work collaboratively, proactively sharing relevant learning and information.

17. REMUNERATION

The Chair will be contracted on Retainer basis (with a fee that is in line with Board Non-Executive Director fees).

CCG expert members (not statutory representatives) will be a paid an allowance for attendance at meetings. These rates will be agreed with the Company but will be based on a single day or part day allowance with members.

The Chair and all members are reimbursed for all reasonable expenses incurred in relation to their membership of the CCG.

18. RELATIONSHIP BETWEEN CCG AND SEW

The CCG:

- Will take all reasonable steps to operate a 'no surprises policy', openly sharing any concerns about performance or engagement in plenty of time for the Company to address issues before raising them publicly.
- Be constructive in its scrutiny and challenges and listen and be open to feedback from the Company.
- Be robust and ambitious for stakeholders, challenging but always conducting itself with civility and respect for each other and for SEW.
- Respect that many documents provided may be early thinking and reflect that in its approach and any conclusions drawn.

- Will meet with the Managing Director and Board members, as needed to ensure open communication and feedback on performance.
- May speak freely at public events (subject to commercial confidentiality and the member code of conduct) on the role of the CCG.

SEW will:

- Provide timely, good quality efficient secretariat including keeping up to date those items listed in paragraph 20 below.
- Be transparent and provide as full, open and timely information as possible to enable the CCG to perform their role
- Be open to reasonable challenge and scrutiny
- Ensure staff, including senior leaders are accessible to members of the CCG
- Provide induction and appropriate training to members
- Make members aware of any sensitive information being shared
- Be responsible for engaging with customers and to demonstrate they have done this well
- Capture the costs and impact of the CCG

19. INDEPENDENCE

It is important that the Chair and Group members are, and are seen to be, independent of SEW, particularly given the high level of contact between the Company and members. To support the CCG's independence and a diversity of challenge the CCG will:

- Recruit an independent Chair and require all members to operate independently of the company
- Enact the safeguards around the appointment of the Chair as per Section 14.
- Actively seek outside perspectives to ensure a diversity of voices are heard and seek to hear from a wide variety of staff at all levels across SEW. This includes proactively engaging with stakeholders such as the Drinking Water Inspectorate and smaller organisations that might not have the time to be members or make representations
- Run private CCG meetings and undertake private communications where Company staff are not present (known as private sessions)
- Have the Managing Director and Board Members present by invitation only
- Regularly refresh membership and add new members to minimise risk of capture and ensure fresh perspectives
- Ensure members hold each other to account to ensure independence
- Have, publish and keep up to date, a Conflicts of Interest and Register of Interests Policy.
- Capture and record where any direct advice is given to the Company.
- Take the steps below in Section 20 to ensure transparency and accountability.

20. TRANSPARENCY AND ACCOUNTABILITY

The CCG will publish information on its role, membership and work on its website:

www.customerchallenge.co.uk. To ensure transparency, as a minimum but not limited to, the CCG will publish, as far as is possible in accessible formats:

- This Terms of Reference

- The Members Code of Conduct
- Member biographies
- Remuneration and Expenses
- A member Register of Conflicts of Interest
- Hospitality Log. All relevant hospitality over £25 will be reported.
- Meeting agendas and minutes
- The Challenge and Action Logs
- CCG impact as per Section 21
- CCG annual reports of the company performance
- Any CCG reports to Ofwat
- An Engagement Log – documenting members attendance at relevant events, engagement activities, meetings with SEW.
- Information on how to get in touch with the CCG

21. MEASURING AND REPORTING CCG IMPACT

It is the aim of the Group to be an exemplar Customer Challenge Group. To help deliver this objective and ensure the CCG is transparent, and as effective and cost efficient as possible, the CCG will:

1. Review the effectiveness of each meeting at the end of each meeting to constantly iterate and improve its approach.
2. Develop a vision of what success looks like and a framework for measuring CCG efficiency and effectiveness.
3. Report on the cost of running the group including but not limited to: members allowances, travel, subsistence, secretariat, recruitment, communication and administration costs.
4. Capture and publish its impact on a regular basis starting from 2020.

22. GOVERNANCE

The CCG Chair and members will be responsible for periodic reviews of its operational performance and at least annually review its Term of Reference to ensure it is operating at maximum effectiveness.