PR19 Customer Challenge Group – Research Methodology Sub-Group

Meeting number: 9

Meeting Date: 25th April 2018

Paper No: 3

Agenda No: 6

Title: Corporate reporting research

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What is this paper about:	The proposed research methodology for our corporate reporting research
Action needed from the CCG:	The CCG research subgroup is asked to comment on the research concept

Criteria	Description / Explanation	Actioned - Y / N
Core Framework		
Project ref: number	PR19_09	Y
Project name	Corporate Reporting research	Y
Project driver	Companies need a high level of transparency and engagement with their customers to earn their customers' trust and confidence. This extends to issues such as companies' corporate and financial structures so that customers can readily and clearly understand the nature and purpose of these arrangements and how they relate to the companies' business operations.	Y
Objectives	To understand: - what corporate/financial aspects to report on, and why those issues are important; this will lead to an understanding of mutually beneficial reasons for these apects which are compelling both to customers, stakeholders & SEW - how SEW should report - this is about finding engaging ways of reporting that will improve customer confidence, trust and transparency. It's about making the content understandable, simple yet meaningful, sufficient but not overkill so as to maintain interest - where should SEW report - this is about making any reports visible & accessible	Y
Precursory work		
Timing	May/June 2018	Y
Process Management		
Brief	Written summary brief prepared by SEW to set out key questions detailed in above objectives	Y
Proposal	Received from Brand Edge	Y
Nature of tender - competitive or single source	Single source. Brand Edge has a track record in working with a wide range of industries related to corporate reporting and communications research. It also has a good understanding of some of SEW's business due to working on our brand research, customer segmentation project and two PR19 projects	Y
Approvals process		
Internal consultee(s)	SEW and Brand Edge	
CCG inputs		
Quality		
Timeliness (inputs)		
Timeliness (sign-off)		
Risk identification		
Research design & implementation		
Methodology proposed by providers	**Qualitative**: Customer workshops - large workshop style formats, utilising a large group scenario, followed by smaller breakout groups. Prior to the workshop, respondents will take part in a pre-task exercse	Y
Methodology selected by SEW	**Qualitative**: As proposed by Brand Edge	Y
Rationale	There are 6 customer segments to consider – whilst we appreciate that some of these are more naturally engaged than others (and equally some more cynical and/or resistant than others), we feel it's important to understand a larger group view before splitting into the segments. Therefore recommendations will not be limited to a narrow and more interested sample. Hence, we recommend exploring how we can broaden the appeal of reports among different audience segments. The reason for the pre-task is that research respondents are likely to participate better and be more "productive" if they have been given pre-tasks / "homework" to complete	Y
Sample structure		
Customer type / segment	Household customers to include the customer segments as appropriate. We also plan to include a limited number of stakeholders to ensure we include the views of a more enagaged audience, either to validate previous work or to see if their requirements have moved on. Stakeholders to include various sectors	Y
Size	**Two customer workshop**s - one in the East & one in the West - 30 to 40 people in each workshop; each workshop will then break out into three smaller sub groups, 10 to 12 people in each sub group **Stakeholders** - 4 to 6	Y
Sample construction	See above	
Implementation		
Milestones & activities	Workshop with SEW to discuss and develop stimulus Customer workshops Stakeholder research Analysis and reporting Project debrief	Y
Programme/research changes		
Key deliverables	A report of the key findings of the research including recommendations on how SEW's reporting process could help to improve customer trust and confidence	Y
Key learnings summary		
How do they inform/influence the business plan?	To provide assurance to the Board that our business plan will enable customers' trust and confidence through high levels of transparency and engagement with customers on issues such as the company's corporate and financial structures.	Y

Transparency of reporting and corporate/financial structures research

High level scope
Type of research: Qualitative Timing: June Key questions to answer / areas to cover: - How should we report performance during 2020-25 - How would customers gain confidence in number of subjects – including dividends, group structure, Board pay, tax, profits etc - Options of how we would could improve trust and confidence – e.g. self reporting, third party review, sign up to external 'code of conduct'

OFWAT REQUIREMENTS

13.4.3 Earning customers' trust

We want a blueprint for a new era of openness and transparency. Transparency increases the accountability of companies, not only to us as the regulator, but also to their customers and society more widely. Companies need a high level of transparency and engagement with their customers to earn their customers' trust and confidence. This extends to issues such as companies' corporate and financial structures so that customers can readily and clearly understand the nature and purpose of these arrangements and how they relate to the companies' long-term resilience. We have therefore decided to introduce a new test in our initial assessment of business plans to require assurance from company Boards that the company's business plan will enable customers' trust and confidence through high levels of transparency and engagement with customers on issues such as the company's corporate and financial structures.

IAP test

3. To what extent has the company's full Board provided assurance that the company's business plan will enable customers' trust and confidence through high levels of transparency and engagement with customers, on issues that matter to customers (which extends to their ability to understand both the company's corporate and financial structures and how they relate to its long-term resilience)?

Area	Board assurance requirements
Business planning	How it has challenged and satisfied itself that: • all the elements add up to a business plan that is high quality and deliverable; • the overall strategy for data assurance and governance processes delivers high-quality data; • the business plan will enable the company to meet its statutory and licence obligations, now and in the future and take account of the UK and Welsh Government's strategic policy statements; • its plan will deliver operational, financial and corporate resilience over the next control period and the long term through its governance and assurance processes, taking account of its track record of performance; and • it will enable its customers' trust and confidence through high levels of transparency and engagement with customers on issues such as its corporate and financial structures. How it has provided ownership of the overall strategy and direction of the plan in the long term.

Objectives

In the methodology statement from Ofwat, water companies have been encouraged to be open and transparent in their reporting practices. This research project is about understanding the following aspects within South East Water's (SEW) reporting framework.

- why SEW is reporting key facets of its business operations -, not because the regulator is telling it to, but trying to understand mutually beneficial reasons that are compelling both to customers, stakeholders & SEW

- how SEW should report - this is about ToV, narrative and finding engaging ways of communicating strategic aspects of SEW's operations. It's about making the content understandable, simple yet meaningful, sufficient but not overkill so as to maintain interest

- where should SEW report - this is about making any reports visible & accessible

The research is not so much concerned with talking to customers about the content of any report. Rather, we will provide some key topics for customers to rank and discuss including: the environment, community involvement, service performance, resilience, people (working for SEW), customers in vulnerable circumstances, finances & taxation, corporate structure, technology & innovation, water resources, the future