

Yorkshire Forum for Water Customers

Minutes of Meeting 6th April 2017 G1, Livingstone House, Leeds

Attendees:

Andrea Cook
Alistair Maltby
Dave Merrett
Janine Shackleton
Melissa Lockwood
Pam Warhurst
Tom Keatley
Wendy Kimpton
Angela Collins (Observer)
Gill Gibbons

Chair
The Rivers Trust
Independent Member
Consumer Council for Water (CCW)
Environment Agency (EA)
Pennine Prospects
Natural England
Yorkshire Water (Head of Regulation)
Consumer Council for Water (CCW)
Forum Secretary

Apologies:

Joanne Volpe
Nicole Buckingham

Alzheimer's Society
Yorkshire Water (Regulatory Project Manager)

Para
No

1) Welcome

- a) The Chair welcomed Forum members to the meeting.
- b) Introductions were made around the table on behalf of CCW's local consumer advocate for Yorkshire Water, who attended the meeting as an observer. A member of Customer Forum briefed the members on her background, which included previously being a Research Director and carrying out social research on vulnerable customers. She commenced working for CCW in March 2017. It was suggested her main involvement with the Forum would be customer engagement specific, and most likely through attendance at sub-group meetings or linked to consumer research.
- c) Apologies were received from a member of customer forum.

2) Review and Agree Minutes/Actions of the Last Meeting

- a) The minutes from the meeting held on 16th February 2017 were reviewed and agreed. However, there is still the wording outstanding to be included at a later date.
- b) It was agreed that any outstanding photographs of Forum members would be taken at the next meeting (15/06/17), with group photographs also taken of the site visit to Esholt Wastewater Treatment Works.

ACTION 1: Company to arrange for photographer to attend site visit on 15th June 2017

- c) Chair requested a catch-up meeting be set up between herself and the company (Director of Regulation & Head of Regulation) to further discuss outstanding actions.

ACTION 2: Forum Secretary to set up meeting between Chair and Company to discuss outstanding actions

3) Chair Updates / Forum Membership & Sub-Groups

- a) The Chair updated the Forum stating she had still been unable to contact a former Customer Forum member (as a Healthcare advisor) about re-joining the Forum.
- b) With regard to Councillor/Local Authority representation, the Forum Secretary had previously had a conversation with a colleague who had suggested he may be able to put forward the name of a contact. Forum Secretary to chase up this lead and report back to the Chair directly.

ACTION 3: Forum Secretary to contact colleague in relation to Councillor/Local Authority representation and report back direct to the Chair

- c) The Chair confirmed that the Small Businesses Federation member that sits on United Utilities Group would be interested in joining the Forum. Chair to liaise with the company in this regard.

ACTION 4: Chair to liaise with the company in relation to the Small Business Federation representative

- d) The company updated the Forum on their thoughts regarding representation from Non-Household Retailers (NHHR). The company believes that a single retail representation would not be a suitable arrangement as it would mean that any particular retailer attending meetings would have access to information throughout PR19 that no other retailer would be privy to. The Chair highlighted an action from the previous meeting that requested the company to provide a document showing the pros and cons of such representation. The company agreed to provide a document and circulate to members direct. **Please refer to minutes of meeting dated 16/02/17 - Action 2.**

Sub-Group Membership:

- e) Further to discussion at the meeting, the Social Vulnerability & Affordability sub-group membership would consist of JV & JS, with the inclusion of CCW's Local Consumer Advocate. The Forum suggested that good practice would involve seminars held by the company whereby Forum members could attend to reflect their engagement.
- f) The Communications sub-group would consist of the Chair, Pennine Prospects, an independent member and the company. The EA confirmed it had an in-house Communications Team, with 'experts' (ex journalists) that could be offered if required. Communications sub-group to discuss this further when meeting established.

ACTION 5: Communications sub-group to discuss further whether assistance from the EA communications team would be beneficial

- g) The Forum requested that sufficient notice be given regarding planned publications, to allow it to input into these publications. Company to liaise with its Communications department in relation to planned publications and strategy documentation, to allow the sub-groups to discuss in a timely manner.

ACTION 6: Company to liaise with their Communications department in relation to dates of planned publications and strategy documentation, to allow sufficient time for input from the Forum

4) Corporate Governance & Finance Overview

- a) Introductions were made around the table.
- b) The Chair provided the background to the request to invite the Company Secretary and Head of Tax & Treasury to the meeting. The Chair suggested it would be good practice for the Forum to engage further with the company in relation to corporate governance and finance.
- c) The company gave a high-level summary overview of the Group structure, explaining that there was on-going rationalising due to the removal of 'redundant' companies. Yorkshire Water Services Ltd (YWSL) was the only regulated company in the structure and it is this company that holds the 'Instrument of Appointment' to provide water and sewerage services.
- d) The Forum asked why the Group structure has to be so complicated and confusing for customers to understand. . The Chair highlighted the fact that, during the previous Periodic Review, customers found the name 'Kelda' a distraction in terms of what it means to customers . The company confirmed that, at this time, there were no plans to change the current structure, however, going forward there may be future changes that would reduce the structure from where it currently stands.
- e) The Forum suggested it was the functionality of the structure that would be of interest to customers, therefore, does the company benefit from being part of the bigger structure, ie does it share the same values, does it operate within a 'family' whereby common values unite all? The company went on to explain there is cross-business working between all the organisations which means this is an efficient structure for costings, contractually working together, common values and objectives and there is also an overlap of directorships.
- f) Loop Customer Management Ltd is an unregulated 'sister' company created in 2000; this deals with customer service, front-line billing and the customer contact centre.
- g) Keyland Developments Ltd (KDL) is a non-regulated property trading and development business, established over twenty years ago, which Yorkshire Water sells non-operational land to when no longer required. Sale of land from YWSL to KDL has to fulfil regulatory accounting guidelines under licencing controls. This means that if KDL sells property for more than the purchase price from YWSL (known as 'super profit'), then some of the additional proceeds need to be reimbursed to YWSL to ensure customers see the benefit of the original sale. YWSL are also required to obtain independent valuations of any land it intends to sell.
- h) Three Sixty Water Services Ltd was created in 2016 and it contractually looks after non-household retail customers. It manages Yorkshire Water Business Services customers by contractual arrangement, to show a distinct separation from the company's wholesale business.
- i) The company also confirmed that information now in the public domain showed that the non-regulated Kelda Water Services Ltd companies (Defence, Alpha [Northern Ireland] and Grampian [Scotland]) were now being disposed of, so would fall out of the structure accordingly. These currently provide wastewater services within the UK, outside of its licensed area.

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No

- j) The company explained that, because Kelda is privately owned and has a whole business securitisation financing structure (along with water utilities such as Thames, Anglian & Affinity Water), there is greater complexity to the Group structure, whereas if it was a public limited company (PLC), then the Group structure would be more straightforward.
- k) The Forum raised the question of public perception and that the company should have ethical elements in its shared values and asked how can the Forum have confidence in this. The company was asked to circulate its written corporate values document to Forum members.

ACTION 7: Company to circulate its corporate values document to Forum members (via Forum Secretary)

- l) The Forum suggested that there could be customer interest in an 'untold story', with the Forum playing its part in trying to explain the positive relationship at a level customers' can relate to. It could show the benefits of investors having chosen to invest in Kelda because it is an 'ethical' company. The company agreed that this would be beneficial and could be an opportunity to communicate the type of shareholders that invest in the company and explaining their individual stories; linking into wider global reporting. In addition, confirming that investors such as GIC/SAS are very 'long-term' investors and, due to Yorkshire Water being a 'long-term' company, this will ensure sustainability and stability.
- m) The company stated that one of the benefits of the way the Group is structured is receiving significant financing from the City/debt finance, which is 'ring-fenced' from a financial perspective; this applies to all secured creditors under a 'Common Terms Agreement' and limits the amount of debt a company can have.
- n) As YWSL has three Kelda Finance Ltd companies which sit above it within the structure, this allows the Group to introduce more debt, in turn potentially gaining shareholders a higher return in the long-term, without any impact on YWSL. The Forum asked whether Brexit would have any impact, particularly around the European Investment Bank (EIB), however, the company confirmed that it is not reliant on EIB debt, so believes it will not make any difference to the company.
- o) YWSL reports against current year and forecast future years financial covenant levels on a six-monthly basis (31st March and 30th September). The Forum asked who set the covenants. The company confirmed it was set in 2008 when the Group structure was put in place and would have been by the shareholders / creditors who subscribed to the security packages and lent money on that basis at the time. Changing covenants can be difficult when investors have signed up to pre-set packages. Theoretically Yorkshire Water could change these covenants, but this would need to be after seeking the vote of the creditors.
- p) Each of the companies has a different Board, but they do tend to be the same members in relation to Chief Executive Officer (CEO) / Chief Finance Officer (CFO).
- q) The company confirmed that funding of its capital programme is largely via bond debt and, going forward, shareholders would play a key role across the industry. Ofwat ensures that shareholders do not take excessive returns, however, shareholders need to feel they are making returns/recompensed for the risks they are taking with their investments, so it is imperative the industry and Ofwat strike the right balance in this regard.

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- r) The Forum stressed the importance of putting forward the 'right story' regarding company values and using the correct narrative for customers to understand how the company is using, what many of them regard as, 'public resources' correctly. To this end, the Forum requested the company liaise with them on phrasing of customer engagement questions, as the wording is key to build a chain of trust to tell the story from the 'tap to Kelda Holdings', explaining its shared values, competencies and transparency etc.
- s) The company then gave a background to the individual members of the YWSL Board, Kelda Holdings Ltd Board and Kelda Eurobond Ltd Board.
- t) The company went on to explain the structure, objectives and principles of the various Committees currently in operation.
- u) The company is required to conduct and report on its business as if it were a separately listed PLC, therefore these specific committees are required. Ofwat set out its own principles about what it expects as a minimum in terms of corporate governance and companies report against these principles. In turn, the company sets out its own codes and how it applies these and they can be found on its website.
- v) The Forum asked whether changes to the governance structure had happened since Ofwat put the company into 'prescribed' in 2016. The company reiterated that this 'downgrade' wasn't as a result of Ofwat suggesting it was doing anything wrong, it was due to the company not describing its governance structure as well as it could and it needed to further demonstrate this.
- w) The Forum asked whether having two separate Chairs for Kelda and YWSL Boards would be best practice. The Chair of the Forum observed that the current structure is 'historical' and whilst not bad practice, it may reflect greater separation if the Boards had two separate Chairs; all options should be open to discussion.
- x) The Company then confirmed it currently needs to recruit a third senior independent Director to replace Anthony Rabin, who in turn replaced Richard Parry Jones as Chairman in September 2016.
- y) The Forum asked for the Board information to be circulated to Forum members.
ACTION 8: Company to circulate Board information to Forum members (via Forum Secretary)

5) Valuing Water Customer Research Findings

- a) The company introduced an employee of Boxclever, who presented the findings of the Valuing Water customer research.
- b) The first stage of the research was a qualitative study, comprising 7 customer workshops, 9 in-home depth interviews and in-home depth interviews with 5 vulnerable customers. The second stage was a quantitative study; 20 minute on-line survey amongst a representative sample of YW customers, 1500 interviews and 50 face-to-face interviews with vulnerable customers to find out what is important to them and what they would like the company to do moving forward.
- c) 5 tele-depth interviews with 'experts' in the category were also conducted to provide breadth of learning and inspiration. These experts included representation from CCWater, National Farmers' Union, Leeds City Council and a Labour MP.

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- d) The Forum asked whether there was a low-awareness base. It was confirmed that the quantitative study had no additional education from being presented with the statements. With the qualitative study there was not much spontaneous discussion, so discussion and education formed part of each statement.
- e) Several key insights were highlighted, including low engagement with and understanding of water provision, however, customers are generally conscious of their water usage (particularly metered customers). The company is well respected and trusted, reflected in positive experiences of any interaction, despite these interactions being infrequent. Customers feel the company should prioritise the provision of safe drinking water that tastes good and can meet current and future demands, preventing flooding, accidental pollution and leakage, capacity to deal with flood events, prevention of interruptions to supply and providing good constant water pressure.
- f) The future challenges customers see as most important include reducing water wastage and leaks, ensuring appropriate plans are in place to serve a population increase, coping with climate change, focus on flood management and defences, working with partners and ensuring measures are in place to protect water quality.
- g) The majority of customers would want to spread the investment needed for future improvements across current and future generations. This is a major change from the previous Periodic Review, whereby customers wanted to pay 'now'.
- h) The research showed that less than a quarter of customers had a good understanding of what the company does and greater engagement is usually as a consequence of suffering water / billing issues. The Forum stated it was vital the company responds to the perceived issues of the customer, in addition to them leading the market in customer engagement. Having a toolkit website is not sufficiently aspirational and suggests the company needs to have a fundamental review of its online communications and customer service, defining the role of its website and creating an information portal/self-serve tool.
- i) Whilst customers take the water supply and sewerage services for granted, they are generally conscious of their water usage, particularly when metered. Two thirds of customers try to control their water usage, however 18-35 year olds generally do not worry how much water they use.
- j) The 'expert' stakeholders had mainly positive perceptions of the company, however, acknowledged there will be plenty of challenges going forward. They also felt that the company performs well on affordability, however, flooding was one of the main concerns raised. It was felt the company need to engage in greater partnership working and be seen as a visible regional leader.
- k) The survey showed that customers felt the company should prioritise the provision of safe drinking water that tastes good and can meet current and future demands.
- l) One statement that disturbed the Forum was 'Recycling sewage back into the river in a way that protects plant and animal life'. The Forum felt the statement was 'qualified' to take importance away from the issues this could cause. The company confirmed that at the valuation stage there would be more detail explaining this to customers.
- m) The survey showed that customer priorities going forward include safe, clean drinking water, reliable wastewater services, flood events and leakage, interruptions and water pressure. Although not core priorities, the following are also suggested for the company to focus on; providing financial help and tariffs that can save people money, good quality customer service and working in partnership and leading on environmental management.

6) Approach to Customer & Stakeholder Engagement for PR19

- a) Ofwat recently held a seminar (entitled 'Tapped In – from passive customer to active participant') which the company attended. Whilst not aimed specifically at PR19, the overarching proposition is for transforming customers' relationship with water.
- b) The customer participation model has four key strategic areas to help increase customer participation, which are:
1. **Futures** – customer participation to improve the current and future sustainability of water in the lives of customers;
 2. **Action** – customer behavioural change actions, including saving water and helping to reduce sewer blockages;
 3. **Community** – community ownership of particular aspects of water as an essential resource; and
 4. **Experience** – increasing customers' control of water in their homes or of the customer service experience.
- c) Going forward, the companies must be able to demonstrate that they have listened to their customers and involved them in their decision-making process. This would be achieved through multiple levels of engagement, including on-going customer conversations, research, communications campaigns, innovative regional stakeholder engagement and a high profile and impactful regulatory, political and peer-influencing strategy.
- d) The company have created a robust customer research programme, including a new online community panel. The Forum asked whether they could use this panel and the company welcomed this suggestion.
- e) The company embarked on an awareness-raising campaign in 2016, which was 'bolder, and brighter' than previously. Customer and stakeholder feedback has been very positive and there is currently an industry-leading social media strategy in place, illustrated by the recent 'Course it's Better' campaign. The video has had 1.6m hits to date and feedback suggests there is new 'warmth' to the brand. The company is also segmenting its customer-base with targeted campaigns based on insight to gain a better understanding to varying groups of customers.
- f) The company is currently engaged in various showpiece collaborative solutions such as Leeds Green Infrastructure Plan, Hull's 'Living with Water' initiative, surface water capture in Sheffield, a new customer-driven recreation strategy and catchment management in the South Pennines. The Forum asked whether the company was leading on any of these projects. The company confirmed it was a mixture of leading and co-delivery with partners such as Hull City Council. This initiative is due to Hull being second on the Government's 'At Risk' floods register and UK City of Culture 2017. It proposes to hold a 'Smart Cities' charrette – a collaborative planning event to redesign the city, which includes planners, transport engineers and global flooding experts.
- g) The company confirmed that targeted stakeholder consultation is to start in April 2017, with one-to-one discussions with key opinion formers to ascertain their views and expectations of PR19. These stakeholders include regulators, politicians, civil servants, business leaders and NGOs and will inform the Strategic Direction Strategy. The company is due to meet with Ofwat's senior management in April.

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No

- h) The Forum asked whether the company Board had an appetite for strategic change and the company confirmed that it wanted to 'raise its game' and had a positive response, including with the two new non-executive Directors.

(already covered in opening section)

7) PR19 Customer Research Timetable

- a) The company briefed the Forum on its timetable supporting the Business Planning process from the present time to September 2018.
- b) The Forum asked what the long-term aspirations for Willingness to Pay were. The company confirmed these would be views on current performance and expectations going forward over the next 5 – 20 years and where would customers like to see improvement / significant improvements / stability.
- c) The company confirmed that it was continuing to work on the updated website.

8) Final Assurance Plan (APR)

- a) The company had previously issued the documentation to Forum members for consultation and all comments and feedback were appreciated in relation to both content and style. These had been reported back to Cogent, the company producing the document on behalf of the company.
- b) The APR will be published in July but will have less detail from the previous report.
- c) The draft assurance plan for the RSW ?? is being published earlier so the Forum will be able to feed into this from the start of August 2017 and it is hoped this will be published on the company website by the end of September 2017.
- d) The Water Industry National Environmental Programme (WINEP) was published on Friday, 31st March 2017 and the company is currently working through the detail, with the Asset Management Team taking a more detailed review and comment. The EA confirmed that this fits in with the Water Resources Management Planning cycle (WRMP).
- e) The company confirmed that it had a pre-consultation meeting with Ofwat on the WRMP in August 2017.

10) Any Other Business

- a) The company confirmed that, as the meeting was currently taking place, Ofwat had 'tweeted' that the methodology approach to PR19 would be released at 7am on 11th July 2017.

11) Date of Next Meetings

Thursday, 15th June 2017 (site visit & meeting)

Venue: Stansfield Room, Esholt Hall, Esholt, Shipley, (Sat Nav – BD10 0NY)

Thursday, 7th September 2017

Venue: Room G1, Livingstone House, Chadwick Street, Leeds, LS10 1LJ

Thursday, 12th October 2017 (in lieu of August)

Venue: Room G1, Livingstone House, Chadwick Street, Leeds, LS10 1LJ

Thursday, 14th December 2017

Venue: TBA – Leeds centre

The meeting closed at 13:45

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Summary of Actions: 17th September 2015

No	Action	Comment
23	<p><u>Social Tariff & Customer Support Update</u>: Company / Forum Secretary to organise a Forum group site visit to its Contact Centre in Bradford</p> <p><u>Post Meeting Update (16/02/17)</u>: This will now fall within the remit of the proposed Sub-Group</p>	Potentially October 2017 Meeting

Summary of Actions: 17th March 2016

No	Action	Comment
12	<p><u>Vulnerability</u>: Chair to forward copies of Wessex Water literature on Vulnerability to Forum members and the company</p>	

Summary of Actions: 7th April 2016

No	Action	Comment
1	<p><u>Welcome</u>: Chair and company to arrange a formal induction for new Forum members</p> <p><u>Post Meeting Update (06/04/17)</u>: This will be particularly useful for Pennine Prospects and CCW's Local Consumer Advocate (in relation to customer engagement specifically). Natural England confirmed they were sufficiently knowledgeable</p>	
7	<p><u>Look Forward</u>: Chair and Director of Regulation to liaise with regard to membership from the Small Business Federation and others to fill current vacancies</p>	

Summary of Actions: 15th September 2016

No	Action	Comment
8	<p>Forum Membership: Forum Secretary to issue a formal invitation to join the Forum to councillor of Bridlington North</p> <p>Post Meeting Update (16/02/17): Chair confirmed she had now issued the invite direct to councillor of Bridlington North but, to date, had had no response</p>	
11	<p>High Level Strategy/Strategic Direction: Company to update the Forum at a future meeting.</p>	Future Agenda Item
15	<p>PR19 Timetable: Company to outline the Decision Making Framework at a future meeting</p> <p>Post Meeting Update: This will be presented aligned to the Willingness to Pay work and it will be updated into the Forward Look Timeline accordingly</p>	Future Agenda item

Summary of Actions: 13th October 2016 (Customer Engagement Workshop)

No	Action	Comment
6	<p>Forum Members to provide biogs and photos to Company for development of Customer Forum section on company website by the end of January 2017</p> <p>Post Meeting Update: Photos taken at the meeting on 19/01/2017. Secretary to check when remaining members available</p>	
8	<p>Chair to speak to the Company to confirm report writer for the CF report</p>	Please refer to Action 1 – 19/01/17
10	<p>Halcrow to attend a future Customer Forum meeting to discuss PR19 assurance process</p> <p>Post Meeting Update: Company confirmed this is currently pencilled in for the June meeting to align with their annual performance update to the Forum</p>	June 2017 Agenda Item
11	<p>Company to confirm if budget is available for the Forum to commission its own engagement activity</p> <p>Post Meeting Update: Company noted this and confirmed that funds can be made available, however, the Forum needs to indicate scope/scale of funding required. Further discussion to be progressed regarding a financial expert</p>	

Summary of Actions: 15th December 2016

No	Action	Comment
2	<p>Minutes/Actions Review: Company to source photographer for company website photographs</p> <p>Post Meeting Update (16/02/17): Forum Secretary to confirm who still needs to be photographed and organise accordingly</p>	

Summary of Actions: 19th January 2017

No	Action	Comment
1	<p>Minutes/Actions Review: Alzheimer's Society to contact the previous Financial Director at Yorkshire Forward to understand his interest in supporting the Forum from a financial perspective or if he has any contacts to suggest for this work</p> <p>Post Meeting Update (16/02/17): On further reflection, the Forum suggested good discipline would be to request bids via a tender process, which may attract independent financial support and a Reporter with extensive water industry knowledge.</p> <p>Chair/Company to hold discussion in this regard</p> <p>Post Meeting Update (06/04/17): Mark Hamm was suggested as a possible Reporter due to his knowledge of economic regulations and financial issues whilst working for Ofwat. Company to ask colleagues for suggested names</p>	
5	<p>Forum Member/Chair Updates: Chair to discuss time and commitment impacts with the CAB</p>	
7	<p>Forum Sub-Groups & Terms of Reference: CCW to advise on the vulnerability and affordability sub-group to reflect on the work CCWater are undertaking</p>	
8	<p>Forum Sub-Groups & Terms of Reference: A member of customer forum to chair initial environmental sub-group (ESG) in April with invitees to include various members of customer forum.</p> <p>Company to support planning sub-group meetings and ensure align with the current deadlines</p>	<p>ESG Meeting: 26/04/17</p>
19	<p>AOB – Member Inductions: Chair to discuss induction requirements with new members and feedback</p>	

Summary of Actions: 16th February 2017

No	Action	Comment
1	Company <> Query discussion at meeting	Emailed Dave Merrett for wording of action- 17/02/17 & 21/03/17
2	Forum Membership: Company to draw a list of benefits/negatives of having Non-Household Retail (NHHR) representation on the Forum Post Meeting Update (06/04/17): Company to circulate document direct to all members	
4	Forum Sub-Groups: Company to amend timetable to show the Sub-Group meeting dates aligning with current specific deadlines Post Meeting Update (30/03/17): Company confirmed it required confirmation of the meeting dates to align accordingly. Forum to inform company when known.	
6	PR19 Overview: Company to present the '5 Capital Model' in more depth at a future meeting. Forum Secretary to put on forward agenda	Agenda Item for June 2017
7	PR19 Plan: Company to provide further guidance on key dates for the Social Vulnerability & Affordability sub-group and Communications sub-group	

Summary of Actions: 6th April 2017

No	Action	Comment
1		
2		
3		