

Meeting in Public of the BOARD of the Consumer Council for Water. Held at 11.00am on Tuesday 7th October 2014 at Victoria Square House, Birmingham.



PRESENT:

Dame Yve Buckland (Chair)

Diane McCrea - Wales Chair & Vice Chair of the Board	Tony Redmond - Regional Chair
Andrea Cook - Regional Chair	Julie Hill - Independent Member
Bernard Crump - Regional Chair	Philip Johnson - Independent Member
Charles Howeson - Regional Chair	Tony Smith - Chief Executive

ALSO IN ATTENDANCE:

Jan Mitson - Board Secretary	Caroline Coleman - Policy Manager
Carl Pegg - Head of Consumer Relations	Hannah Williams - Senior Policy Manager
Jane Morris - Head of Corporate Services	Evan Joannette - Complaints and Performance Manager
Deryck Hall - Head of Policy and Research	

12.0 WELCOME, LISTENING SESSION, APOLOGIES AND DECLARATIONS OF INTEREST

- 12.1 The Chair opened the meeting and welcomed those present. There were no apologies for absence.
- 12.2 Mr. Duncan McCombie, Director of Operations from the Energy Savings Trust, was in attendance as a member of the public.

13.0 CUSTOMER CASE FOR OCTOBER

- 13.1 Evan Joannette introduced the Customer Case for October. The case concerned the consequences of a water company contractor providing a customer with poor advice in relation to an initial complaint of high water pressure.
- 13.2 The Board discussed the circumstances of the complaint. The Board emphasised that company contractors should always be professional in their dealings with the public and be customer and service orientated in their approach.
- 13.3 The Board noted that with CCWater's assistance, the complainant had received £1000 in compensation for the distress caused. The Board agreed that given the circumstances of the complaint, the compensation payment awarded by the company was unusually large.
- 13.4 As CCWater was now placing customer cases on the website, it was important that these summaries reflect typical cases. This is for two reasons:
- i) It will inform customers about the type of cases CCWater ordinarily deals with.

- ii) Customer expectations will be managed effectively.

13.5 In some cases, particularly where issues are of a specific local or company nature, Local Committees could press the company around their lessons learned from dealing with particular complaints.

Agreed that:

- i) The Customer Case be noted.
- ii) Where lessons could be learned from Customer Cases, these could be raised with water company representatives by CCWater's Local Committees.
- iii) The publically available Customer Cases should reflect the typical cases that CCWater becomes involved in.

14.0 MINUTES OF THE PUBLIC BOARD MEETING HELD ON 1ST APRIL 2014 AND ANY MATTERS ARISING

14.1 The Board received the Minutes of the Public Board Meeting held on 1st April 2014.

AGREED:

- i) That the Minutes of the Public Board Meeting held on 1st April 2014 be approved as a correct record and signed by the Chair.

15.0 CHIEF EXECUTIVE'S REPORT ON CCWATER ACHIEVEMENTS AND PERFORMANCE

15.1 A report on CCWater achievements and performance up to 31st August 2014 was submitted by the Chief Executive to the Board for noting, together with a balanced scorecard of performance.

15.2 The Chief Executive highlighted the main points from the report, which are detailed below.

Price Review

15.3 Ofwat had announced their Draft Determinations on August 29th and in general, this had been a largely positive Price Review for customers, as all but two companies proposed prices that were at or below the rate of inflation. CCWater's focus throughout the price review was twofold, ensuring that customers received value for money and that customer bills were affordable and the proposals were acceptable to customers.

15.4 Research conducted by CCWater's financial consultants ECA concluded that the Weighted Average Cost of Capital (WACC) had been set too high and CCWater would continue to place pressure on Ofwat to reduce it further up until the Final Determinations are announced on 12th December.

15.5 One of the biggest issues for some companies arising from the Draft Determinations is the gap between Ofwat's assessment of proposed costs of company proposals, compared to that of the companies. CCWater

welcomed Ofwat's challenge on costs, but has in each Draft Determination response, pressed Ofwat to ensure their assessment model was robust, else its assessment could have a detrimental impact on future service delivery. However, for companies that continued to disagree with Ofwat's assessment, they could seek a referral to the Competition and Markets Authority (CMA). However, this would only address the financeability issues for those companies which sought to pursue a referral.

- 15.5 Some schemes had been removed by Ofwat as part of the Draft Determinations as part of their 'needs assessment'. CCWater would be seeking to persuade Ofwat and the companies that where schemes had specific customer support, they should be placed back into the plans.

Social Tariffs

- 15.6 The Chief Executive outlined the progress made by companies in relation to the introduction of Social Tariffs. Several companies planned to have Social Tariffs in place by April 2015. Although CCWater argued that measures to reduce water poverty and provide assistance to vulnerable customers were welcome, Social Tariffs in isolation were not a panacea to alleviate water poverty; a point supported by CCWater research entitled 'Living with Water Poverty', launched at a CCWater-led seminar in October 2014; a note covering the event would be circulated to the Board shortly.
- 15.7 Affordability of household bills (including water) continued to be high on the political agenda. The Floods and Water Management Act 2010 gave water companies the ability to introduce a Social Tariff, and this did not need to be revenue-neutral (i.e. funded for example, through an increased efficiency in relation to the collection of bad debt). However, some company research had found customers did not support Social Tariffs being funded through cross-subsidy.
- 15.8 Due to an absence of eligibility criteria for Social Tariffs specified in the Social Tariffs Guidance, companies were developing their own. Consequently there was a lack of consistency between the schemes that were currently in place, or being planned. CCWater encouraged commonality of the approach between companies as part of the Draft Determinations, particularly between adjacent companies or where a customer was served by a WOC and WASC. The difference in approach could lead to a 'postcode lottery' in terms of Social Tariffs.
- 15.9 As Defra and Welsh Government's Social Tariffs Guidance placed a requirement on CCWater to be consulted on company Social Tariffs, our role would be to make sure the customers were properly consulted about the proposals and to monitor the range and impact on debt and affordability of company proposals and its comparative effect.
- 15.10 As there is inconsistency between the Social Tariffs implemented or proposed by companies, a further role for CCWater would be to identify and share best practice with companies, highlighting any obvious flaws in any proposals. The progress of Social Tariffs should continue to be reviewed every 6 to 12 months.

Market Reform

- 15.11 The competitive market for non-household customers is scheduled to open in April 2017 and CCWater would be working to ensure that customers do not experience detriment as a result. CCWater had undertaken research with SMEs to understand their needs and concerns from competition in the water industry, as well as commissioning Pricewaterhouse Coopers (PwC), to inform us of the issues arising from the introduction of competition in other sectors.
- 15.12 Research indicated that customers would value new entrants having a successful track record, easy to understand tariffs and trouble free switching. Customers would also be want to be assured that any move to competition would not impact the resolution of problems.
- 15.13 This was a matter for Ofwat, particularly in relation to the Service Incentive Mechanism (SIM), which is proposed to only apply to retail business. This could present an issue for customers a monopoly wholesaler has no incentive to fix any problems which might occur. CCWater's view therefore was that the SIM should be aligned to the wholesale and retail businesses equally.

Complaints

- 15.14 The Chief Executive reported that complaints against water companies had continued to fall and CCWater's overall complaints performance remained strong. CCWater had published its Annual Complaints Report in September, which benchmarked company performance in relation to complaints to pressure on those companies whose performance was lower than other companies.

Value for Money

- 15.15 The Board noted that some companies had experienced a slight increase in satisfaction with value for money.

Organisational Values

- 15.16 Following a suggestion by staff, the organisation had recently adopted a set of organisational values that reflect how staff work and want to work. The values would also assist new starters in understanding the culture of the organisation.

Agreed that:

- i) **That the report, together with the balanced scorecard be noted.**

16.0 DRAFT FORWARD WORK PROGRAMME CONSULTATION

- 16.1 Caroline Coleman joined the meeting to present CCWater's Forward Work Programme 2015-18 for approval prior to consultation.
- 16.2 The Chair invited the member of the public Mr McCombie to make any representations.

- 16.3 Mr McCombie questioned what CCWater did to press companies to provide more holistic support to customers who might be experiencing financial difficulty, such as signposting to other specialist advocacy services. Mr McCombie confirmed that the Energy Savings Trust website signposted visitors to CCWater's Water meter Calculator.
- 16.4 CCWater encouraged water companies to train front line staff in recognising signs that customers may be experiencing financial difficulties or may otherwise be vulnerable. For those companies engaged in compulsory metering programmes CCWater has pressed them to undertake affordability and benefits eligibility checks as part of the meter installation process.
- 16.5 CCWater has also raised awareness in relation to water efficiency being linked to bills, and Julie Hill also represented CCWater on an external group examining water efficiency labelling.
- 16.6 The following suggested amendments were agreed by the Board
- Chair's Foreword - The Chair's foreword would reference hard to reach and vulnerable customers, which are consistent with our values.
- Page 7 - Under 'How we do it', we should explain that work "locally company to company, regionally across companies, nationally to governments and key stakeholders"
- Page 12 - The section on ODIs should refer to some measures having explicit outcomes which customers valued and also refer to CCWater's role in monitoring and comparing the relative performance across companies.
- Page 22 - The points around 'leakage' would be expanded to refer to 'water efficiency'.
- 16.7 The Chair thanked Mr McCombie for his very helpful comments.

Agreed that:

- i) **Subject to the agreed amendments, delegated authority to Chair and Chief Executive be provided to approve the draft prior to opening for consultation on 20th October 2014.**

17.0 MID YEAR RESEARCH UPDATE

- 17.1 Hannah Williams provided Board with a mid-year update on the progress of CCWater's agreed Research Plan 2014/15.
- 17.2 Four priority research areas had been identified at the beginning of the year; two of which were now completed and the remaining two were in progress.
- 17.3 Additional projects, identified at the beginning of the year, were also in the process of being completed, with some further money set aside for

any research needing to be completed arising from any CMA referrals. All research had now been allocated funding.

- 17.4 New projects identified during the course of the year included undertaking research into customer experiences of CCWater's new website, which went live at the beginning of 2014.
- 17.5 Diane McCrea, as lead Board member for research spoke in support of the paper and the way in which Hannah and the team phased the research to ensure CCWater could manage its budget effectively. The Board noted that CCWater could not carry over any underspend in future years and the Board noted that the Executive Team reviews the strategic projects budget each month.
- 17.6 Following the completion of all research projects, the results and next steps were circulated to the board and the full results are made available on CCWater's website. Post Project Evaluations are undertaken to identify the lessons learned from the research and to assess whether the research had delivered against the stated aims. The Research Team also maintained a database of past research projects, identifying how the research was used and what benefits the research yielded.

Agreed that:

- i) **The report be noted.**
- ii) **Charles Howeson would provide some reflections and commentary to the Board outside of the meeting.**

18.0 CCWATER FINANCE REPORT

- 18.1 Jane Morris set out the report detailing CCWater's financial performance up to 31st August 2014. CCWater had consumed 41% of its agreed budget, which was consistent with its profile projections. The total budget was currently 1% underspent.
- 18.2 Jane highlighted that the overspend in relation to personal overheads reflected the Travel and Subsistence associated with the additional workload in relation to the price review.
- 18.3 The main underspends related to prepayment on CCWater's Capita servers finishing at the end of August 14, and non renewal of ESRI contracts, which had both been profiled for the full year and staff costs mainly due to vacancies in Consumer Relations team.
- 18.4 Bernard Crump, Chair of the Finance and Resources Committee spoke in support of the paper and confirmed there were no areas of concern for the Board.

Agreed that:

- i) **The report be noted.**

19.0 PUBLIC BOARD OUTSTANDING ACTIONS

- 19.1 The Board Secretary circulated a revised copy of schedule, which made

an amendment to the management commentary in respect of item 2.3.2 for the purposes of clarification

AGREED that:

- i) **The items marked to be discharged be agreed as completed and removed from the register.**

20.0 ANY OTHER BUSINESS

Confirmation of Confidentiality of Private Meetings

- 20.1 The Chair moved and it was subsequently noted, that in accordance with the Public Bodies (Admissions to Meetings) Act 1960, further meetings of the Board held in Private Session would exclude members of the press and public, on the grounds of confidentiality.

THE MEETING CLOSED