

# AffinityWater

## Affinity Water Independent Challenge Group Terms of Reference

Draft for Consultation - February 2025





# **Terms of Reference**

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Updated February 2025

### Introduction

The Terms of Reference for Affinity Water's Independent Challenge Group (ICG) have been developed by the Chair and members of the ICG and with Affinity Water jointly. They have been approved by the Board of Affinity Water.

This Terms of Reference replaces any previous version and reflects the approach required for the delivery of Affinity Water's Final Determination for 2025-30 as well as development of the next planning phase for 2030-35 and for the long term as per expectations for Water Resources Management Plans.

Noted within the Terms of Reference is a 'Customer Commitment' that sets out the ICG's approach and the Key Lines of Enquiry that the group has agreed to pursue ongoing.

### Role

The role of the Independent Challenge Group (ICG) for Affinity Water is to encourage the company to continually improve outcomes over the short, medium and long-term for customers and for the environment.

The ICG will do this by:

- inviting the Company to consider how to continually improve the quality of service and value that they offer to customers in line with commitments agreed for AMP 8, 2025-30.
- urging the Company to be ambitious in planning for the future and taking account of the findings of high-quality customer engagement & research as well as developing mitigations to climate change and other environmental risks.
- encouraging the Company to find solutions that balance short-and-long term customer needs and demonstrate how to spread both costs and benefits fairly over time.
- working closely with and taking account of wider strategic insights and research findings from national organisations, especially CC Water but also DWI and EA, as well as local stakeholder groups.
- Encouraging the company to improve the transparency of activities for the benefit of customers and stakeholders and introducing ways to demonstrate accountability to customers and stakeholders.

## Consumer Research and Insight

Following PR19, the ICG encouraged the Company to keep track of ongoing consumer insight so that this can inform both day to day operational decisions and strategic business planning programmes.

The Company has constructed a master document named 'What Customers Want'. This allows for customer insight triage from quantitative and qualitative research, both ad hoc and continuous, both local and national. Sentiment tracking from satisfaction surveys, pilot schemes and other mechanisms are also expected to be included in this analysis.

The ICG will use the refreshed version of 'What Customers Want' for AMP and how the addition of new insights such as customer panels provide the range of data across all customers groups to inform ICG for sentiment, satisfaction and drive outcome-based performance.

The ICG will adapt their approach to meet the expectations for PR29 but will expect to continue to:

- Offer comments on research proposals and to be kept updated by the Company on research findings.
- Ask the Company to demonstrate that learnings from ongoing operational data and insight are included in addition to any insight any available from national research and data.
- Support and, where appropriate, attend customer and stakeholder engagement events including those for qualitative research.
- Challenge the Company to demonstrate a clear line of sight from insight to decisions taken.
- Encourage the company to continually seek further opportunities to involve customers in decisions in a transparent way.

## Customer Commitment: Key Lines of Enquiry (KLOE)

In response to our understanding of 'what customers want', members will take a *Key Lines of Enquiry* approach and will seek to encourage the company to continue to improve in endeavours to serve the best interests of consumers now and in the future.

The Key Lines of Enquiry (KLOE) are summarised here:

The Key Lines of Enquiry are aligned to the Company's ambitions as laid out in the Strategic Direction Statement (SDS). The SDS describes 4 core areas of focus: Resilience, Environment, Customers and Communities.

This approach will allow the drawing of clear lines through: Independent challenge – Company Response – Customer Outcome

The KLOE of enquiry will be continually monitored to ensure they reflect the insight gained from customer research and engagement, as outlined in 'What Customers Want'.

## Key Lines of Enquiry:

- **Resilient:** Customers expect their water supply to be clean and reliable now and in the future.
- **Resourceful:** Customers do not want water wasted unnecessarily by either company or by consumers.
- **Protective:** Customers expect their water company to protect the environment.
- **Innovative:** Customers expect their company to give back to the communities they serve.
- **Affordable:** Customers need affordable bills, and some customers need financial assistance.
- **Caring:** Customers with who are experiencing vulnerability need extra support from their water company.
- **Inclusive:** Customers expect easy access to information and contact options.
- **Responsive:** Customers expect enquiries and complaints to be answered quickly and in full.

The ICG is committed to challenging the Company to do the following:

- Plan and invest to provide a water supply that is clean and reliable now and in the future.
- Avoid wasting water unnecessarily through leakage.
- Support households and businesses to reduce any excessive consumption of water.
- Protect and enhance the environment locally, especially the rare chalk streams.
- Fulfil commitments to net zero targets.
- Develop and test innovative solutions to long term issues.
- Commit to supporting customers in ways to make bills affordable with comprehensive financial assistance which is easily accessible to those who need it.
- Offer a suite of extra support for any customer who needs it when they need it.
- Create options for easy access to information and ways to contact the Company.
- Respond to enquiries and complaints quickly and in full.

## Membership Arrangements, Obligations & Expertise

The ICG will have at least 8 core expert members that will include 6 Independent Members (including the Chair) and 2 Regulatory members (from CC Water and EA).

The appointment and dismissal of members is the responsibility of the Chair. In liaison with Affinity Water and in accordance with the ICG recruitment policy.

All independent members will be subject to contracts outlining the specific and comprehensive role requirements and terms of engagement.

Contracts will be offered for 3 or 4 years and there may be opportunities for renewal at the end of each contract. While there is value in experience, there is also value in fresh perspective and, therefore, decisions on renewals will be made with this balance in mind.

The Chair will be contracted on a retainer basis and ICG expert members will be paid an allowance for attendance at meetings that will be in line with market rates benchmarked to similar roles across regulated industries. These member rates will be agreed with the Company and will be based on a single day allowance.

Additionally, the Group plans to draw on the expertise of professional specialists or specific interest stakeholders who will advise the Group on issues that are useful for key lines of enquiry. For example, rivers' protection groups, social housing experts, youth groups, wildlife trust groups. The Company will facilitate the set-up of this 'bank' of specialists and stakeholder advisors to provide input to the ICG.

All members will be expected to attend all full ICG meetings and relevant deep dive or subgroup meetings. They will be expected to be fully prepared for each meeting and to offer challenge in line with the agreed Customer Commitment to the Key Lines of Enquiry.

The Chair will co-ordinate the following: updates to the Board, including preparation and authoring for the Annual Report; updates to the national Challenge Co-Ordinate Group (CoG) and responses to regulatory organisations as required or invited to do, including those for Water Resource Management Plans and for Business Plans.

All ICG Members will recognise that they do not have decision making powers. They will also recognise that it is not their responsibility to act either as a substitute for the company engaging with its customers or to substitute their own views for those of customers nor to seek to duplicate the role of any statutory body.

The professional expertise of the group covers:

Members' expertise spans: citizen research & engagement, econometrics, customer segmentation, financial vulnerability including debt management, non-financial vulnerability, river catchment management, policy making, partnerships development, communications, branding, local and national environmentalism including net zero strategy, public health, local & national government, public value development, innovation, and business.

## Deep Dives

The ICG will regularly work with the company to plan deep dives into topics arising from the Key Lines of Enquiry considering these in detail from customer perspectives. These meetings will draw upon the expertise of members and, where appropriate, invite additional expertise from specialists and stakeholders and from customer representatives.

The ICG Chair will chair these deep dives in the first instance although, where useful, the chairing of these deep dives may be delegated to an independent member with appropriate expertise. These may evolve into subgroups as required, for example during business planning and price review activities.

Following each deep dive meeting, the company will provide draft minutes in the same format as for the full Group. The Chair of each deep dive meeting will be responsible for recommending these minutes to the full Group. These documents will be reviewed by the full ICG and approved before publication on the ICG section of the Affinity Water website.

## Agreed Ways of Working & Administration

The Company will provide both secretariat and necessary executive support for all meetings and preparations for programmes of work. All papers for meetings should be delivered 5 working days in advance of each and seek to be concise, transparent and relevant. Additionally, the company will offer infrastructure support that will include the provision of rooms and digital support.

The Company will prepare draft minutes following each meeting and the Chair will be responsible for recommending these to the full group for review and approval. Approved minutes will then be published in the ICG section of the Affinity Water website.

ICG members will adhere to the **Nolan Principles** behaviours for public life: Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership. ICG members will be ambitious with challenge but always thoughtful, well-prepared, supportive, encouraging, polite, respectful, and friendly in all interactions with company executives and others.

## Meetings' Timetable & Quoracy

The full ICG will meet at least 4 times a year. These will take place at Affinity's Head Office in Hatfield and/or via a virtual platform (eg Teams). Occasionally, another Affinity site or an agreed accessible location in London may act as a venue for full group meetings. Meeting dates should be reserved a year in advance wherever possible.

The quorum required for the full ICG will be four members. There will be no formal quorum for deep dives although at least 2 members should be expected to be attending for a meeting to proceed. If necessary, a deputy Chair may be nominated for the full group.

## Transparency

There will be an ICG section to the company's website that will include:

- Information on the purpose and work of the ICG
- Members' biographies
- ICG Terms of Reference
- Annual Reports
- Minutes of Full group and Subgroup meetings
- Links to any other publications that are relevant to the work of the ICG
- Summary of the Deep Dive activity and changes made as a result

## Relationships with Company governance & external organisations

### Company Executive Team

- The Director of Regulation & Strategy and the Director of Customer Experience will attend all ICG meetings and meet with the Chair regularly to plan the work for the Group.
- The CEO will attend ICG meetings regularly.
- Relevant additional members of the executive team will also be involved in Group and deep dive meetings.

### Company Board

- The ICG will complete an independent Annual Report to be presented to the Board and aligned with company annual reporting timescales.
- The company Chair and ICG Chair will meet to ensure that the Board has direct sight of the ICG work and insights.
- All Board members have an open invitation to ICG meetings as well as an offer to meet with the ICG Chair when useful.

## National and Regional Groups

- The Chair will be a member of the national Challenge Co-Ordination Group (CoG) which is the forum for ICG Chairs hosted by CC Water.
- Regional water resources groups are sometimes convened to assist with the development of WRMP strategies. The ICG Chair and members will join any such group meetings as appropriate.
- The Chair will aim to attend any meetings that are convened nationally by government, regulators or other relevant external organisations.

## Independent Audit of ICG arrangements

In 2024, CC Water published an audit of Independent Challenge arrangements across all water companies that was commissioned from an independent consultancy.

This included a checklist for effective ICG arrangements as follows:

### Behaviours

Company: welcoming 'uncomfortable' challenge

ICG; acting as critical friend, not just critic

Both: having honest conversations as issues arise

### Governance

ICG ToR include:

- A clear remit: set out a common objective for the company and the ICG that is outcome-focused and customer-centric
- The ICG's source of authority and role: set out the source of the ICG's authority to act, along with a high-level view of what effective delivery looks like
- Board accountability: make clear how the Board will discharge the ICG related part of its accountability for customer challenge

### Operational

Right mix of members

- Subject expertise
- Quality of challenge
- Constructive approach

Independence guarded

- Processes and behaviours established
- Written down

Providing relevant information

- Appropriate level

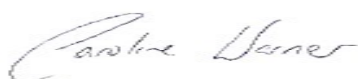


- Comparative data
- Wider perspectives

Resourced appropriately

- Sufficient time to scrutinise
- Appropriate secretariat support and timely updating of online material
- Sufficient engagement from the Management Team and technical experts

The ICG Chair and members will assess the arrangements for the Affinity Water group against this audit and publish a summary of findings. Where there are recommendations for further improvements, the Company and ICG will work to enact these from 2025.



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Group



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