

YourVoice – North West independent customer challenge group

Terms of Reference & membership



1. Requirement and Role

- 1.1. Water companies engage extensively with customers and stakeholders to establish the priorities that customer value the most, to set appropriate performance targets and the range of potential payments for over or under performance against these outcomes.
- 1.2. Customer Challenge Group (CCG) panels were first proposed by Ofwat to help make the PR14 Price Review more focused on customer needs than past price reviews had been, and they are generally considered to have been a successful innovation.
- 1.3. The water companies have continued to involve their CCGs as an integral part of their governance and assurance arrangements, and as one of the methods of ensuring greater transparency around business performance.
- 1.4. United Utilities has incorporated its CCG as a key component of its customer engagement and performance review activities. The title for the group is “YourVoice” reflecting its purpose in representing the views and opinions of customers and stakeholders alike, so that they can effectively influence business strategy and performance.

2. Purpose & Terms of Reference

- 2.1. YourVoice reviews and challenges United Utilities’ business plan delivery as well as reviewing and assuring its customer reporting. It also considers, reviews and challenges the Company’s approach to customer research and engagement and how this insight informs its PR19 submission to Ofwat.
- 2.2. The role of the group is to be a ‘critical friend’ to United Utilities, understanding the challenges, commenting on plans and expressing views about the issues and priorities. The group considers issues faced by the company and customers, such as tariffs, service levels, use of new technology, and innovative approaches.

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2.3. The group is exposed to detailed information about how United Utilities operates and its proposed investment plans, but members are not expected to be experts in water, engineering, or business issues such as finance and economics.

2015-20 Business Plan Delivery (AMP6)

YourVoice's focus on the company's performance commitments between 2015 and 2020 involves:

- 2.4. Reviewing 2015-2020 business plan performance commitments, including contractual rewards and penalties, and to challenge the company to continue to deliver its plan;
- 2.5. Reviewing with customers how the company's performance compares with others;
- 2.6. Advising and challenging United Utilities on how to deal with the financial impact of over- or under-performance against outcome commitments;
- 2.7. Reviewing the company's annual assessment of risks, strengths and weaknesses in its reporting against each measure of success;
- 2.8. Advising on the timing and sharing of cost with customers, of new obligations arising outside the 2015-20 business plan;
- 2.9. Reviewing and challenging the company's on-going engagement activities, helping to develop and monitor customer research and education, providing constructive feedback of business-as-usual activities;
- 2.10. Considering how the company reports its progress and advising on improvements to the clarity of information provided to customers and stakeholders;
- 2.11. Contributing to the design and presentation of new performance reports (content and format), to be used to inform customers of progress against outcome commitments, during AMP6;
- 2.12. Reviewing annual communication to customers, which is included with customer's bills; and
- 2.13. Providing a forum for engagement concerning plans for business transformation, such as the preparation for market reform of Non-household retail services, changes to price control structures and the introduction of domestic competition, for example.

PR19 Price Review process (2020 – 2025)

As the company prepares its business plan for the next AMP period, YourVoice's role is to:

- 2.14. Provide challenge to UU on the quality, clarity and extent of the company's customer engagement, ensuring it is a robust, balanced and proportionate evidence base;
- 2.15. Ensure the company has engaged with different types of existing customers whilst considering the impact on future customers;
- 2.16. Ensure the company provides a range of genuine, understandable and realistic options to customers on business plan proposals;

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- 2.17. Consider whether evidence from customers exists to influence a business plan proposal;
- 2.18. Work with statutory regulators (such as Drinking water Inspectorate (DWI) and Environment Agency (EA)), so that they can contribute to the YourVoice process in the most effective way; and
- 2.19. Provide customers and Ofwat with an assessment of the quality and extent of customer engagement and the degree to which this has been reflected in the plan.

3. Group composition and requirement for independence

3.1. In 2014, the Consumer Council for Water carried out research nationally on the use of CCGs for water companies during the PR14 Price Review process. The researchers made a number of recommendations relating to the way such groups may operate in future to improve effectiveness.

United Utilities has taken account of the key aspects of this national feedback to improve its own independent review group. For example, the company adopted the recommendation for an independent, non-CCW chair to ensure that the process is managed in a way that is (a) perceived to be completely neutral, and (b) not restrictive on CCWater's ability to share its views at the most senior level.

3.2. In addition to this, the recommendation that the water company and the chair together should ensure that they "reach out to candidates that are not necessarily known to either party" and aim for a balanced set of views and opinions beyond those of regulatory candidates and relatively minimal customer representation, has also been addressed.

4. Membership

4.1. The membership of the group continues to be a mixture of customer, environmental and regulatory representatives. The balance of organisations representing customer views (social & economic members) compared with other members that have a purely statutory remit has been enhanced. The group now reflects a very wide cross-section of skills and experience ranging from public health expertise to understanding customers in vulnerable circumstances, as well as the interests of farmers and small businesses.

The overview of current member organisations is outlined below:

4.2. Current Membership:

- Social & economic - Citizens Advice and Money Advice Service; Confederation of British Industry; Federation of Small Businesses; National Farmers Union, Allerdale Council,

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StepChange Debt Charity, Samaritans, MIND, Age UK, Salford City Council Welfare and Debt Advice, MacMillan Cancer Support, British Gas

- Health - Health Protection England
- Environment – The Rivers Trust, North West Regional Flooding and Coastal Committee
- Water industry regulatory remit - Consumer Council for Water; The Environment Agency; Drinking Water Inspectorate¹

4.3. Outline of membership recruitment & remuneration approach

4.4. The group takes a direct approach to recruitment of new candidate organisations. Contact is made in writing initially to the (regional) leaders of the respective organisations requesting its involvement or continued membership, on the group.

4.5. The communication package contains details of the terms of reference, a sample of a role profile for group members, a set of biographies of current members and a summary of time commitments and expectations of members.

4.6. Members are not routinely compensated for the time they devote to the group's business. Members who are employed by large organisations, such as the EA, and whose attendance is authorised as a part of their day-to-day role do not receive additional payments from United Utilities for their contributions to the YourVoice panel.

4.7. However members who attend on a voluntary basis and who do not receive a salary are able to claim a day-rate charge of £200 per day, plus appropriate expenses, to discharge their duties to the group.

5. Chair and Deputy Chair roles

5.1. The selection of the Chair is subject to a due diligence process reflecting the influence that these posts are likely to yield.

5.2. It is preferable for the Chair to be resident in the North West, a customer of United Utilities (reflecting a common understanding of the customer base) and to be demonstrably independent, in terms of length of time served as well as any water industry affiliations and associations.

5.3. The roles reflect the previous responsibility and accountability required for the Ofwat Price Review process, but with the added elements of advising and challenging the company around aspects of ongoing performance.

¹ *DWI has said it would like to support future CCGs, but will not necessarily attend meetings. If CCGs raise any specific queries about water quality, it is happy to respond formally to a letter sent by the chair of the group.

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The summary role profile for the Chair includes the following aspects:

- Skilled in managing groups of influential individuals, representing disparate interests (probably with Management Committee or Board level experience).
- Effective in engaging with key stakeholders and leading to consensus.
- Challenging both the group and the company when necessary.
- Expert in reaching out to extract views and challenge that may differ from the norm, while retaining the cohesion of the group as a whole.
- Ability to describe and focus on the strategic, holistic view, whilst also being able to grasp the necessary complexity of technical subject matter as necessary.
- Inclination to digest information in advance of meetings, and to provide an executive summary focusing on the key points for discussion or decision.
- Ensuring every member contributes to meetings and discussions to the best of their ability.
- Being able to generate clear and relevant agenda for meetings in advance.
- Motivating high attendance at meetings and careful time management.
- Ensuring that decisions are taken on each item on the agenda.

5.4. Specific duties include to:

- plan and run the YourVoice group meetings in accordance with the Terms of Reference;
- ensure YourVoice group matters are dealt with in an orderly, efficient manner;
- impartially and objectively manage meetings and decision-making;
- ensure governance protocol is adhered to;
- plan for recruitment and renewal of the YourVoice group;
- liaise effectively with the United Utilities Corporate Affairs Director, as appropriate to keep an overview of the organisation's affairs; and
- be aware of current issues that might affect the organisation.

6. Outline of Chair recruitment & remuneration approach

6.1. The method of managing the recruitment process for recruitment of the Chair involves briefing a third party specialist executive recruitment firm, with expertise in candidate identification, screening and remuneration negotiations, as well as knowledge of the local market for executive talent.

6.2. The remuneration for the Chair is benchmarked against paid positions in equivalent roles (eg NHS Trustees, and averaged local non-executive director fees).

6.3. The time commitment for the Chair will be in the region of 20 - 35 days per annum.

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6.4. The current Chair, Bernice Law, was appointed in April 2017, is an individual of significant expertise and experience in public roles, and has been a member of United Utilities' CCG since it first began in December 2012. Bernice was appointed to the role after an extensive independent and competitive recruitment search process, as outlined above. The recruitment process also included personal interviews between the candidate, UU Chief Executive and Senior Non-executive Director, personal interviews between the candidate and YourVoice member's subgroup, and a final interview with the Executive Committee.

7. Governance process for the YourVoice panel

7.1. The Chair manages the YourVoice group meetings, with secretarial and administrative support provided by United Utilities personnel (including booking meetings and arranging venues, drafting agendas, circulating meeting content and publishing meeting minutes).

7.2. The YourVoice group is expected to operate in an open and transparent manner; however, there will be some limitations to transparency owing to commercial confidentiality and all members are required to sign a confidentiality agreement.

7.3. YourVoice is quorate if the Chair is present, plus at least 4 other members.

7.4. Agendas and other materials are provided at least 7 days prior to quarterly meetings. Meeting minutes are published on the United Utilities website.

7.5. The Chair is invited to attend United Utilities Board Meeting annually to report on YourVoice's view of company performance, customer engagement and progress.

7.6. Members meet in private session at each quarterly meeting to discuss and debate issues when the group deems this necessary.

7.7. Subgroups are convened and meet more frequently than the main group when detailed issues are required to be investigated. The minutes of these groups are reviewed at the quarterly YourVoice meetings.

7.8. Appropriate training is provided when necessary and detailed briefings made available for any new policy introductions, consultations or changes.