



# CCG REPORT – JUNE 2022



Edited by David Brindle

## 1. INTRODUCING THE CHALLENGE GROUP

Most of us have never thought too deeply about our water supply and the treatment of waste water. We take for granted a constant supply of safe drinking water through our taps, while our drains instantly flush away what we have used. We leave it to the industry regulator to keep the services affordable and efficiently run.

Recent events have shone an unaccustomed light on the water sector, however. The sharp increase in the cost of living has brought the value for money of our utilities into stark focus and into the cut and thrust of public debate. While attention has primarily been on steep rises in the prices of gas and electricity, annual water bills have been wrapped into the conversation about economic pressures on households and the uncertainty that many people are feeling. It is more than ever essential that our utilities can be scrutinised through a lens of fairness.

At the same time, there has been a strong surge in media and political interest in discharge of untreated sewage into our rivers and the seas around our coast. The water industry has found itself on the back foot, struggling to explain why this should be happening – and why, unless and until its infrastructure is upgraded to respond to intense rainfall caused by the climate crisis, it will need to continue to happen.

Against this backdrop, a new team has begun work to discern and articulate the needs and interests of the 15 million customers of Thames Water. Called the Thames Water Customer Challenge Group (CCG), it is an independent body charged with ensuring that customer voices are heard in development of the company's business plans and ambitions as it seeks to turn around what it admits has, on many counts, been unacceptably poor performance.

The water industry regulator, OFWAT, used to require water companies to set up CCGs as part of its role of balancing consumer interests with enabling the companies to finance water supply and sewerage. This is especially sensitive as household consumers have no option to switch water provider, unlike electricity and gas. The requirement was dropped in 2021 – with OFWAT now expecting water companies to show they have, and draw on, their own customer challenge and assurance arrangements but Thames Water decided to re-establish its CCG with a wholly refreshed approach and a remit extending well beyond assurance of customer engagement in business planning for the industry's next price determination in 2024.

Put simply, our aim as a challenge group is to hold a mirror to Thames Water and to hold it to account – to help it translate its intentions for change into a materially and discernibly different experience for its customers. We are not a customer panel, nor can we pretend to be fully representative of the huge and diverse population served by Thames Water, but we are a team that reflects much of the demography and geography of the customer base. There are currently 13 of us, led by Chair, Sukhvinder Kaur-Stubbs, with backgrounds including central and local government, the voluntary sector, the private sector, regulation and journalism.

We shall, as our name suggests, challenge Thames Water to make good on its promises to improve its performance according to the ambitions and timescale it has set out. If it succeeds, we shall be the first to say so. But if it fails, we shall have no hesitation in openly expressing our dismay and demanding the swiftest steps to redress matters.

## 2. OUR APPROACH

The CCG is tasked with ensuring that Thames Water has, and can evidence, a comprehensive understanding of different customers' issues, needs and priorities. We are required to test that the customer voice is reflected fully in the company's main business plan and other critical plans, with us providing feedback to its customer service committee every six months, and to ensure that its work in this regard complements that of OFWAT nationally. We are expected to build an appreciation of the complex trade-offs that are inherent in long-term planning of water supply and to engage annually with the Thames Water board on strategic issues.

In developing our approach, we are drawing on six emerging principles:

- ✓ We aim for the widest possible range of people to be engaged with and heard
- ✓ We pay special attention to customers who are deemed 'vulnerable', or in vulnerable circumstances, and to those who speak and advocate for them
- ✓ We respect environmental assets and seek to ensure that standards are complied with
- ✓ We balance the interests of people living in London boroughs with those of customers elsewhere in the varied region
- ✓ We check for equity across generations and assess the benefits of addressing immediate issues, such as flooding, leakage and sewer discharge, against the need to invest in sustainable supply for the future
- ✓ We support Thames Water in mobilising partnerships that increase opportunities for public stewardship.

Our starting point is that there remains low awareness among Thames Water customers of issues surrounding water supply and sewerage and of the fragility of both infrastructures. As long as people experience no problems with their water supply or waste water service, their direct engagement with the industry is limited.

This may be different for those who have encountered problems with their billing – a particular issue for Thames Water, which it has acknowledged and is taking steps to address. About 4 million of its 15 million customers receive a bill direct from the company. The current focus on cost of living is prompting more people to scrutinise the value for money of their water services, however, while controversy over incidents of untreated sewage discharge has triggered some to take a more concerned or activist stance. Additionally, a

local issue such as the handling of a sewer burst or the proposed new reservoir near Abingdon, Oxfordshire, can move individual customers in a particular location from passivity to activism.

For the CCG, the dissatisfied are a crucial voice as they let us know what is wrong with the current service. Activists and lobbyists can help spot system failures, enhance services, channel concerns for sustainable supply for future generations and steer towards environmental best practice. They can also speak on behalf of other customers who lack a voice or are seldom heard. If treated with respect and engaged with, the dissatisfied can become allies or even champions of the company in understanding and, in turn, explaining to others the choices that need to be made within finite resources, or the reasons for a perceived slow response to a local issue.

There is, however, always a risk of decision-making failing to reflect the views of those who are less vocal, many of whom may be in vulnerable circumstances and potentially more at risk. Engaging effectively with the passive majority of customers (and visitors to, and commuters into, the Thames region) is a difficult challenge. Thames Water needs to be able to demonstrate that it has sought to hear them, and has given appropriate weight to their concerns and preferences in its decision-making process. The CCG has a key role to play here. Our early thinking is that the company has been undertaking a great deal of listening activity, not all of which has translated into tangible or meaningful results. In this and other areas, there is a case for it to simplify what it does so that customers better appreciate what they receive, find it easier to engage when things go wrong and understand more readily when a system issue involves partner organisations.

By setting out the long-term challenges it faces more simply and accessibly, we believe Thames Water would also find greater appreciation of the need for trade-offs among competing demands for investment. These include the reduction and eventual elimination of discharges of untreated sewage into waterways at times when the treatment system might otherwise be overwhelmed by volume of rainfall; the need to invest in ageing infrastructure, some of which dates back to the mid-19th century; and the imperative to reduce leaks in the supply system, currently wasting almost a quarter of available water, when demand is forecast to exceed current availability by the middle of this century.

### 3. FIVE FOCUSES

On the basis of our learning over the six months since the CCG was re-established, we have identified five areas of particular focus for our work:



#### 3.1 Inclusivity

Ensure that Thames Water understands and responds to the diverse needs of current and future customers, in particular those who are in vulnerable circumstances.

Thames Water's next business plan is to be presented in 2023 to regulator OFWAT, which will assess the outcomes it sets out for customers against the costs of its delivery. A price setting process termed PR24.

OFWAT will also consider what funds are required, over and above income from customers, to maintain infrastructure and what returns are due to those who invest in the company.

In preparing its submission, Thames Water will make assumptions about how much customers are able and prepared to pay for their water and waste-water services. The CCG's role is to test these assumptions by checking that the customer voice has been heard, and heard right across the varied customer and visitor base, and by ensuring that research methods have been robust and that findings have been fed into the decisions and actions proposed in the company's business plan. Detailed guidelines from OFWAT are imminent.

For the previous planning process (PR19), the company was marked down for failing to show that these checks and assurances had been carried out sufficiently thoroughly and that research findings had been reflected in its submission. A major challenge for PR24 will be to identify the 'line of sight' that shows how customers' diverse needs and preferences translate into service delivery options.

Essentially, the CCG will be seeking to pinpoint the impact of customers' voices in the planning and to ensure that the line of sight is clear. Its role is not, however, to validate the business plan or conduct a technical assessment.

Our early thinking is that there are two core issues:

- ✓ Generally, the research is well-framed and applied robustly. However, the line of sight in business plan decisions needs further distinction.
- ✓ Gaps in the research need to be understood better and mitigated to ensure that the diverse needs of customers are appreciated fully and given due weight in business plan decisions.

## 3.2 Choices

Test the company's criteria to be clear that they incorporate, and respond to, the needs of different stakeholders and customer groups in strategic decisions for the longer term.

Thames Water has acknowledged that it will take at least eight years, starting last year, to turn around its performance. After that, as set out in the company's Vision 2050 report, it aspires to adhere to strong and meaningful standards for sustainable supply, the environment and the people of the region.

At the same time, demand for limited existing supplies of water will continue to grow. This reflects less abstraction from chalk aquifers, but also expanding population numbers in the South-east and more volatile/intense weather patterns brought about by the climate crisis. With the middle of the century only six business plans away, the CCG will be looking for evidence of incremental steps in each plan towards the ambitions contained in Vision 2050.

Each business plan is linked to a five-year asset management plan (AMP), which programmes investment in pipelines, sewers, tunnels, pumping stations, treatment plants and reservoirs. The two investment needles – short-term and long-term - need to point in the same direction and to be seen as clearly complementary. Trade-offs between shorter- and longer-term investments and outcomes need to be transparent, showing clear lines of sight from customers to and through the planning process.

The challenge group's role here will be to test the criteria that Thames Water adopts in taking account of different stakeholder and customer group voices in the necessary investment trade-offs:

- ✓ Affordability for current customers against resilient supply of water and wastewater services for future generations.
- ✓ Reduction of incidents of discharge of untreated sewage into water courses, known as "spills", over and above statutory requirements, against resilient supply
- ✓ Service guarantees for people in urban, suburban and rural settings against community and environmental considerations

The CCG will challenge Thames Water to provide a clear line of sight of how the voices of different customers are included and actioned upon in the business planning process. It will expect to see transparent communication of choices made in the business plan.

## 3.3 Affordability

Give voice and effect to customers' expectation of fair and affordable bills, especially in the context of the cost of living crisis.

One area where Thames Water can justifiably claim to be among the better performing water companies is its work with customers who are deemed vulnerable, or who may be in vulnerable circumstances and therefore at greater risk of harm. The term is blunt, and not altogether satisfactory, but embraces people who may need special consideration for

reasons including limited financial resources, clinical and/or care needs, life events or technological and communication disadvantage.

Almost 300,000 people are currently on the company's Priority Services Register which identifies some such customers, although many more - an estimated one in five of the population served - is thought to be eligible. A proactive and sensitive approach to those registered is evident in instances of service interruption, when they are typically contacted speedily and provided with bottled water if required.

This work reflects effective links with a wide network of other agencies and community groups, including local councils and charities for disabled and older people. Indeed, building external partnerships is a strength of the company more generally, and one we should like to see further capitalised upon. The work reflects also some innovative collaboration with London Fire Brigade on sharing data of customers deemed vulnerable.

In seeking to support Thames Water to develop further its approach in this area, the CCG will tease out gaps, especially around how people can be more vulnerable to harm for different or multiple reasons. We want to ensure that minority ethnic groups, especially those on low incomes or whose first language may not be English, have a voice and are heard.

With particular reference to the cost of living crisis, the challenge group will also review efforts to help with bill affordability and customer debt and will explore opportunities to expand the option of differential tariffs offering reduced bills for eligible low-income families or those in episodic/persistent debt. We shall also scrutinise the applicability to Thames Water's customer base of any proposals that might emerge for a single, national social tariff.

While the progressive introduction of water meters is generally assumed to be a positive, as it is expected to reduce consumption, the CCG will want to understand any disproportionate impact on those customers considered vulnerable or at risk of vulnerability.

### 3.4 Performance

Identify the outcomes for customers from the current Thames Water business plan to drive improvement.

It is often said that past performance is no indicator of future delivery. It is to be hoped that this is true in the case of Thames Water, which by its own admission has been underperforming for too long.

On most of the key measures of customer service, Thames finds itself at the bottom of the league table of water companies. Its reputation is such that people often think it is the poorest performer on other yardsticks, such as untreated sewage discharge, when others' records are worse. A legacy of past under-investment by former owners of the company hangs heavy: there is a common assumption that its present owners continue to take large dividends even though none has been taken for four years over and above that necessary contractually to repay investors.

The PR19 determination set out a suite of performance commitments and outcome delivery incentives that the company's new leadership – almost wholly changed since then - says have proved impossible to realise. Under the regulatory system, the consequence of failure is financial penalties. Arguably, it brought much of this on itself by virtue of poor preparation for the price determination exercise. It can also be difficult to see how all parts of the system is geared to supporting improvement in customer service. But quite clearly the company has to make a better fist of PR24.

From a customer perspective, outcome delivery incentives seem far too granular when they ought to be fundamentally holistic, focusing on improving the customer experience as a whole. On leakage, for example, the incentive is for the company to attend to its own pipework assets rather than address the 40% of lost water attributable to customer pipes and facilities.

With greatly heightened political and media interest in sewage discharge, and the consequences for safe bathing, a clear risk is that companies will be incentivised to accelerate plans to reduce and eliminate discharges at the expense of other customer concerns.

### 3.5 People

**Challenge the company's workforce profile to reflect wider society, and the communities it serves, and promote more positive engagement.**

With so much attention on Thames Water's poor performance, what often gets lost is its commendable emphasis on its internal work practice and also its partnerships and efforts to co-create, with customers, effective solutions to challenges of water demand and supply.

Workforce development is a crucial part of the business and it is important that the workforce reflects the communities it serves. There is a small team willing to respond positively to new ideas and there have been some strong examples of staff working well in areas of wider engagement and internal work.

Immediately, the challenge group will support the company to intensify its reach into minority communities and its fostering of employee diversity, including via its apprenticeship programme which has been acclaimed for its diverse profile and training quality. It can be hard for any business to show the breadth of what it does, and open up career opportunities, and the capacity of a small team may need to be enhanced to keep driving change and improvement.

Thames Water is also doing good work in educating children and their families about water stewardship and in harnessing the efforts of growing teams of volunteers in parishes and urban neighbourhoods. Facilities, such as reservoirs, which are open to the public and promote conservation are valued by local communities but not always recognised locally as Thames Water assets. The hugely popular Walthamstow Wetlands Nature Reserve is a case in point.



The three existing Smarter Water Catchment pilots on the rivers Evenlode, Chess and Crane are a good example of building community assets to ensure more sustainable supply. Each involves at least 20 different stakeholders, all playing an active part. The 24 other catchments in the Thames basin offer similar potential, but their capacity as partnerships is limited without the kind of significant investment made by OFWAT in the pilots.

Scaling up activity and results could prove a challenge with an increasingly complicated set of stakeholder relationships to support. Deeper engagement with the public will certainly require the translation of some complicated terminology into accessible language.

#### 4. THE WAY FORWARD

There can be no mistaking the scale of the task facing the new leadership of Thames Water as it seeks to turn the page on a chequered past and grapple with formidable challenges coming its way. But two recent developments offer hope for the future.

First, the company has been part of an alliance that has succeeded in winning accredited bathing water status for Wolvercote Mill Stream in Oxford, the first such accreditation in the Thames Water area and only the second in England. At a time of enormous public concern over polluted rivers, this is a notable achievement.

Second, digging has been completed for the Thames Tideway Tunnel, a 16-mile 'super sewer' that will run beneath the Thames and relieve pressure on London's ageing sewer system that has remained largely unchanged since the 1850s. The tunnel, commissioned in 2007, is due to enter use in 2025 and will make a significant contribution towards the elimination of discharges of untreated sewage into the river.

As Thames Water approaches its 50th anniversary next year, and looks to build on these milestones, its new customer challenge group will aim to help it understand better the issues that its customers face and what matters most to them. By absorbing that, and acting upon it, the company will be well placed both to achieve the turnaround it desires and to ready its services for the next 50 years.

## APPENDIX

To find out more about the CCG and how to contact us, view the member profiles below or access this link:

<https://www.thameswater.co.uk/about-us/performance/our-customer-challenge-group>

### Our members

#### **Sukhvinder Kaur-Stubbs - Chair**



Sukhvinder is Chair in Common of Kingston NHS Foundation Trust and Hounslow and Richmond NHS Trust. She is also Chair of Regeneration at the London Legacy Development Corporation and a Board Member of the Government's Regulator of Social Housing. Previously, Sukhvinder was CEO of the Barrow Cadbury Trust and of the Runnymede Trust promoting equality, diversity and social inclusion. She has a track record of supporting and working with a range of local charities serving those living in disadvantaged areas.

Sukhvinder is a community champion determined to advocate for all consumers and particularly those at greatest risk of vulnerability. In her previous roles at EnergyWatch and the Government watchdog Consumer Futures, Sukhvinder secured stronger performance from utilities on behalf of their customers. Sukhvinder led on regulatory policies for marginalised groups at the Cabinet Office Better Regulation Executive. She is knowledgeable about the water and waste industry having served two terms on the Board of Severn Trent Water.

#### **Baroness Tanni Grey-Thompson DBE – Vice Chair**



Tanni is a crossbench peer and Chair of ukactive which works with its members to support children, young people, and families to be more active. Their new programme Open Doors is working with schools and activity providers in the community to unlock more facilities for young people.

Tanni has served on numerous boards including the BBC and Transport for London. She has been an influential advocate for consumers across a variety of sectors. She is Ambassador for UNICEF and for Disability Rights UK. She is one of Britain's greatest Paralympian athletes. Company Account Manager in October 2021. She takes a lead on matters relating to Thames Water, Southern Water and Anglian Water.

### **Cllr Adam Jogee**



Adam is a local Councillor elected to represent Hornsey on Haringey Council in May 2014 and re-elected in the 2018 London Elections. He is among the youngest elected Mayors for Haringey serving two municipal years 2020/21 and 2021/22.

After attending school locally, he went on to study History at the School of Oriental and African Studies (SOAS). From serving on the Children and Youth Board that appointed the first Children's Commissioner for England in the early 2000s, to representing London on the UK Youth Parliament – Adam has always focused on getting things done for residents and his local community. He chaired the Environment and Community Safety Scrutiny Panel for two municipal years and is a political advisor to a Shadow Minister in Parliament.

### **Dr Charlotte Duke**



Charlotte is a leading expert in behavioural economics with over 15 years experience in customer behaviour. Charlotte is a Partner at London Economics, a consulting firm providing economic advice to the private and public sector internationally. Before moving to the UK, Charlotte was an advisor to the Victorian Government in Australia where she worked on water and land protection.

"As a behavioural economist I understand we are all unique and as water customers we all play an important role in the protection of our water, land and biodiversity'. I look forward to working with Thames as a voice of the customer and to challenge and grow Thames Water's listening and engagement with water customers."

### **David Brindle**



David is a journalist and former public services editor of The Guardian, where he won a number of awards for his writing on social policy issues. He advises on strategic communications and is a regular conference chair and speaker. He has been a board member of national charities, social enterprises and housing associations for almost 30 years and currently chairs Ambient Support, which provides services across England for older people and those with learning disabilities and mental health issues. The welfare of people at risk of exclusion continues to be his overriding concern.

### Doug Taylor



Doug is a consumer advocate at the Consumer Council for Water (CCW). He is vastly experienced in consumer affairs, particularly within financial services. He brings over 20 years of experience as a senior manager in not-for-profit organisations and campaigns and public affairs including working at Which? He is a former Deputy Chief Executive of the British Society for Rheumatology; former National Director of the National Union of Students; past member of the Financial Conduct Authority consumer panel. He is also an Enfield councillor with over 20 years service and was a past Leader of the Council for eleven years.

### Jeremy Crook OBE



Jeremy is the Chief Executive of Action for Race Equality, a London based national charity that supports young people from ethnic minority backgrounds to realise their full potential in education and have successful careers. Social mobility is very important to him, and he wants to see all young people have opportunities to succeed and not be held back because of bias and discrimination in the workplace. They work with other charities, schools, local councils, government, and employers to help make our country fairer and more inclusive.

Jeremy is Black British (mixed heritage) and despite leaving school with limited qualifications he went on to attain a BA (Hons) and MA. He started working in the charity sector 35 years ago in the West Midlands and moved to London in 1990. Jeremy has had secondment spells with the Department for Education and HM Prison and Probation Service. He is proud to serve as a trustee for the West Ham United Foundation.

### Monica Wilson



Monica is an experienced policy professional. She has spent the majority of her civil service career to date at HM Treasury and has spent over 20 years working on a diverse range of policy and delivery issues, including better regulation, citizen engagement and public value.

Monica is passionate about inclusion, having co-founded HMT's Women's Network, and is a strong supporter of apprenticeships as a driver of social mobility and organisational development. She has served as a trustee of a debt advice charity and is active in her local community. Monica is also a mum of two young boys.

## Nisha Arora



Nisha joined the Financial Conduct Authority (FCA) in February 2018 and is Director of Consumer & Retail Policy, responsible for developing and maintaining the conduct rules for retail financial services. Nisha led the FCA's work to protect consumers impacted by the pandemic. She is responsible for the FCA's consumer protection strategy, including the FCA's proposals for a new Consumer Duty, vulnerability guidance and consumer insight, helping to ensure that the lived experiences and diverse needs of financial services customers are understood and met. Nisha is also responsible for oversight of the wider regulatory family (including the Financial Ombudsman Service and Financial Services Compensation Scheme).

Prior to joining the FCA, Nisha was a Senior Director at the Competition and Markets Authority, where she oversaw its consumer protection and enforcement work and, as a female senior leader of Indian origin, established its Equality, Diversity and Inclusion group. Nisha was also President of the International Consumer and Enforcement Protection network, coordinating cross-border regulatory actions to protect consumers across the globe. Previously, Nisha served as a senior Director at the Office of Fair Trading, and as a senior legal adviser in the Department for Business, Energy & Industrial Strategy and the Cabinet Office. She trained as a solicitor with Denton Hall. Nisha was born, and still lives, in London.

## Pete Daw



Pete Daw is a specialist in urban and environmental policy and is currently Head of Climate Change with responsibility for London's climate change mitigation and adaptation policy and programmes. Previously Pete worked for Siemens as Director of Urban Development and Environment at the Global Centre for Cities where he worked with cities globally to help them understand the role technology can play in tackling their challenges. He worked extensively on Siemens smart city approach in China, India, Italy and Saudi Arabia. He also headed the Siemens partnership with C40 cities where he has produced thought leadership pieces on topics ranging from connected and autonomous vehicles to climate financing. He also developed Johannesburg's first ever greenhouse gas inventory as part of Siemens work with C40 cities. Previously Pete worked in London government for 12 years at the GLA and the London Development Agency on climate mitigation, energy, air quality and waste programmes.

## Cllr Pete Sudbury



Councillor Dr Pete Sudbury is a Liberal Democrat/Green Alliance Member for Wallingford Division in Oxfordshire. He is cabinet Member for Climate Change and Environment.

Pete is retired NHS psychiatrist and Medical Director with qualifications in Natural Sciences (MA), Medicine (BM, BCh), Psychiatry (NRCPsych), Business (MBA). He also spent 2 years as Hewlett-Packard Enterprise (UK/EMEA) “Health Insider”.

Pete has been County Councillor since Dec 2019.

## Sarah Powell



Sarah has worked for the Environment Agency and its predecessors for over thirty years. In that time, she has fulfilled a number of roles relating to regulation and enforcement, environmental planning, policy and customer engagement. Based in Reading, she has worked at local, regional and national level interacting with businesses, NGOs and other stakeholder groups. She served as the Water Industry Planning Manager during PR14 and PR19, working with Thames Water and Southern Water in the development of their business plans.

Sarah led the Environment Agency’s input to the recent WINEP taskforce alongside Defra and Ofwat. Until recently she led the Environment Agency’s approach to chalk streams, before taking up the role of Water Company Account Manager in October 2021. She takes a lead on matters relating to Thames Water, Southern Water and Anglian Water.

## Tiger De Souza MBE



Tiger is the People Engagement Director at the National Trust where he leads on equity, diversity and inclusion as well as community engagement and participatory practice.

Tiger has had a wide-ranging career in the non-profit sector working at Royal Institution for Chartered Surveyors, NSPCC and England Netball. Tiger has been a Trustee of Volunteering England and the National Council for Voluntary Organisations. He is currently a Trustee for the Association of Chief Executives of Voluntary Organisations (ACEVO). He was awarded an MBE in the 2021 New Year’s Honours list for services to volunteering, including during the pandemic.