

Anna Bradley
Chair Southern Water CAP

17 November 2017

Contact
01903 272603

Dear Anna

Customer Advisory Panel Advice Note 1 – April 2017

Thank you for sharing with the Board your concerns about the customer insight programme. I have held back from responding until now as I was keen to ensure that we were taking the right remedial steps and can demonstrate real progress.

Before addressing the specific concerns, can I say that the Board greatly values the advice of the CAP. It is clear from your note, as well as the discussions that we've had, that your ongoing challenge has significantly improved our approach to customer engagement and the work carried out to date. Nonetheless, we are concerned that you felt the need to formally raise your concerns about some aspects of our programme. As you know, the Board recognise and support the need for good customer insight to guide both the way that we run the business as well as how we plan for the future.

Since receiving your note, the company has taken a number of steps to improve the way we develop customer insight to inform the business plan while also embedding it into our business as usual activity. In particular:

- We have created a new Head of Customer Insight role within our Senior Leadership Team, reporting directly to the Director of Strategy. This role will be responsible for developing our enduring approach to customer insight, as well as leading the work to develop the business plan. Jo-Fielding Cooke, our Head of Continuous Improvement, who led the PR14 customer insight work, is filling the role on an interim basis and the work is being closely aligned with the Customer Services team to ensure it supports our wider priorities, particularly around vulnerability.
- We engaged research experts from EY Seren to provide us with more short-term capacity and help us develop an integrated plan for the next phase of engagement for the business plan. This included initial work on customer segmentation and personas, a gap analysis of the first phase of engagement and the development of a more rigorous approach to developing research briefs to ensure they deliver the high-quality insight we require.
- We commissioned Corporate Culture to carry out a full review of the outputs from our engagement programme to date, as well as other sources of relevant insight. This third party review was to ensure that the outcomes that we published in Let's Talk Water part 2 fully reflected customer and stakeholder views and so the "golden thread" back to the insight and other contextual evidence can be seen

In addition, to ensure that we are all fully informed, the Board has asked for a dedicated session in December to understand the process and, more importantly, key findings from each of the pieces of research conducted to date. This will enable us to satisfy ourselves that the outcomes we will carry into our business plan do reflect our customers' priorities.

Turning to the two specific challenges you raise around the customer engagement programme:

1. To ensure a more strategic approach to all the customer engagement work that establishes a golden thread from end to end, linking high level outcomes with business plan deliverables

We agree that it is important that our engagement work is clearly linked and the thread through to the long-term outcomes and business plan commitments is clear and well evidenced.

To address the need for a more strategic approach to customer engagement work, EY Seren helped us to develop the next phase of our insight programme, providing a strategic overview of the whole programme and identifying key gaps in the insight to date and priorities for the next phase. I understand that a first iteration of this strategic plan has been shared with the CAP and we welcome your feedback. Clearly, the plan needs to be flexible so we can accommodate any new, emerging findings from the insight, but we now have a clear path through to the business plan submission. The Board will continue to take a close interest in the delivery of the insight work, to ensure customers' views are properly represented in our strategy.

To address the second concern, the need to ensure we can evidence a 'golden thread' from the insight to our outcomes and business plan deliverables, we commissioned Corporate Culture to undertake a review of the insight work findings to date (both customer and stakeholder). This review was designed to ensure (i) that our outcomes could be clearly traced back to customer and stakeholder views; (ii) to challenge the level of ambition in our outcomes; and (iii) to identify gaps in our customer and stakeholder insight that needed to be filled. The result of this work was a revised set of outcomes, which are both more ambitious and stretching than those published in Let's Talk Water part 1, and could be clearly linked back to either customer and stakeholder insight or a strategic external driver. This revised approach and the new set of outcomes were shared with the CAP recently and I understand you welcomed the more robust and transparent framework.

As part of this work, Corporate Culture is helping us to develop a triangulation framework to balance competing priorities between customer groups, and between customers and other stakeholders where we need to. It is important that we are able to do this in a transparent, consistent and robust way so that we can explain the decisions we ultimately make, and we will be sharing the approach with the CAP in due course.

The Board fully accept the challenge to ensure a more strategic approach to our insight work and the need for a transparent line of sight from the insight work to our outcomes and business plan deliverables. While a lot of work is still needed, we are confident that the combination of the EY Seren work and the more recent work with Corporate Culture puts us in a good position.

2. To improve the way that long-term future possibilities are built into the programme of work

We understand that the CAP is concerned that the initial insight work did not go far enough in encouraging customers to think about their long-term priorities in a sufficiently broad and

open-ended way. We note that this was also a gap that was identified by Corporate Culture in their review of our insight work to date.

We believe we have made some progress in this area in the more recent research for the Water Resources Management Plan (WRMP). Within this research we invited customers to imagine their lives in 2050 in the broadest possible way - not just focused on water - and used this within workshops to co-imagine the future and subsequently co-develop 50-year water resource plans based on their preferred options. We think this approach was innovative and a creative way of addressing the real challenge of helping customers think about and articulate their long-term priorities and preferences.

Nonetheless, we accept that there is more to do. Within the next phase of the research we will be looking at issues of resilience, where it is vital that we have high-quality, future-focused conversations with our customers. As we develop this strand of the work, we will be taking some of the techniques used in the water resources research and applying them across the wider insight programme.

To help with our own long-term thinking, you will be aware that we recently commissioned and published 'Water Futures South East'. This was based on independent research by a leading evidence-based futures thinker, Dr Peter Kingsley. This work will also provide an important vehicle for future-focused discussions with stakeholders as well as source material for future customer research.

We understand both the importance and the challenges of having meaningful discussions with customers over long-term possibilities. We believe that, with the publication of Water Futures South East, the experience from the innovative water resources research work and the expert advice we have access to, we are now effectively addressing this challenge, and we will continue to learn and refine our approach along the way.

I hope the above gives the CAP assurance that the company is addressing the concerns raised in your advice note and that the Board recognise the importance of delivering a high-quality programme of customer insight and engagement. We will continue to work closely with the executives and the CAP, particularly as the PR19 process intensifies, to ensure that our approach is comprehensive and allows us to both develop a truly customer-focused business plan as well as supporting the ongoing use of insight to inform our BAU activity. To supplement your regular attendance at the Board, we have committed to trying to ensure that one of our non-executive directors attends all future CAP meetings.

If there is anything you feel requires further discussion with the Board at this stage, please don't hesitate to contact me.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bill Tame', with a long, sweeping underline that extends to the right.

Bill Tame
Chairman