

Ofwat
Centre City Tower
7 Hill Street
Birmingham
B5 4UA

13 September 2019

Dear Sir/Madam

Ofwat's Emerging Strategy – Employee Consultation

Thank you for the opportunity to add feedback from our employees in response to the Emerging Strategy consultation. Please find below an addendum to our response in July.

The employee consultation was launched with a video, recorded by Rachel Fletcher at our Innovation Festival, and a blog from our employee Jonny Banks following his attendance at The Future 30 conference. We used a mixed method consultation including sessions with employees, an open blog and the ability to email in responses privately. We promoted this opportunity through our employee newsletter and internal website, with periodic reminders.

A summary of their responses, and a brief overview of the consultation is below.

I hope this proves useful; please get in touch if we can provide any further information.

Yours faithfully,

Heidi Mottram CBE
Chief Executive

NORTHUMBRIAN WATER LIMITED

RESPONSE TO CONSULTATION ON OFWAT'S EMERGING STRATEGY

September 2019

Introduction

Northumbrian Water Ltd (NWL) is one of ten regulated Water and Sewerage Companies in England and Wales, operating in the North East of England, trading as Northumbrian Water (NW), and in the South East of England, trading as Essex & Suffolk Water (ESW).

In the North East, the business comprises the supply of both potable and raw water and the collection, treatment and disposal of sewage and sewage sludge, serving 2.7 million people in the major population centres of Tyneside, Wearside and Teesside as well as the large rural areas of Northumberland and County Durham. We provide only waste water services in Hartlepool.

In the South, we supply water services to 1.5 million people in Essex and 0.3 million in Suffolk. Our Essex area is part rural and part urban and includes the main population centres of Chelmsford, Southend and the London Boroughs of Barking and Dagenham and Havering and Redbridge. Our Suffolk area is mainly rural with the largest towns being Great Yarmouth and Lowestoft.

NWL is a wholly owned subsidiary company of Northumbrian Water Group Limited (NWGL).

The sections below set out the views of our employees, solicited across various mediums and with opportunity for free comment.

Summary

Overall employees struggled with the purpose behind Ofwat's new strategy, finding it too high level and had difficulty understanding their own role in delivering it for our customers. There was concern that an over focus on the 'right now', meant that the long term, despite being acknowledged, felt as a secondary priority.

Common themes including a desire for engagement on education, behaviour change and encouraging water efficiency. Many employees remained uncertain why such a strategy was needed and how it would be coordinated – they did not understand why the role of a regulator was to have this level of directive action. On the issue of public value, whilst the idea was generally supported, there were significant concerns on what this meant – whether this was decisions being made in the financial interests of customers (as the public), for the economic or social benefit of areas and regions or the environment – which whilst linked can significantly contrast.

Thinking about the long-term, employees welcomed this area of the strategy and the development of long-term resilience. However, they felt other elements of the strategy counter-balanced this in a negative fashion, with fears of short-termism. On innovation, it was

acknowledged that this is a clear idea for development, but a clear concern on risk and when a company could actually be considered innovative.

Employee Engagement Roundtable Sessions

The below represents a summary of the points made at roundtable discussions held in July and August, that including employees representing a cross-section of departments, levels and functions within the business.

Do you think Ofwat's strategy will be effective in driving the water sector forwards? What works for you and/or what is missing for you?

Many employees struggled to understand why Ofwat, as a regulator, should need a vision. The general perception was that this should have been from customers, to companies and then to the regulator, rather than what seemed like a top-down approach where they had limited ownership. They recognise the importance of the regulator having a strategy, but felt that it was both too high level, had a long term agenda but based on short term perception and was coming at a very unusual stage in the business planning process. They were also unclear on the purpose and necessity of a strategy – what would it actually achieve and what are the costs of failure.

They welcomed the sections surrounding innovation, but felt the strategy does not acknowledge the risks of innovation nor indicate how the industry could be incentivised to take the necessary steps to make transformational change given our necessary risk-averse nature.

Typical comments included:

- *“Think it needs to be more plain English, customers wouldn't understand what it means – it's so high level.”*
- *“It should include where the water industry is at now and what will need to be done to achieve this plan?”*
- *“Ofwat should have set the strategy and got us to base our plans on that.”*
- *“Feels vague and high level, a customer wants to know when, how and why you're going to do it – how will customers know to engage?”*
- *“Stewardship – should be Environmental Stewardship as we don't get that it's about the environment from this word.”*
- *“Legitimacy – nice statement in the strategy. What happens if water companies do not adhere to what they said they would? Would we lose the license to operate? Then what?”*
- *“Too focused on 'what customers want' right now. They want lower bills, however water companies need to invest for the future. Low cost solutions are only short term.”*
- *“Long term trends – customers don't see it – they want to know what is the action needed to be taken now, why should I care?”*
- *“Infrastructure, engineering, investment – can Ofwat/government support water companies to build additional water resources, such as reservoirs upstream to catch water before it contributes to flooding?”*

- *“Provide incentives for customers – smart meters would encourage them to use less as they can see their usage on the meter in the house. Providing an incentive or reduction from their bill for saving water. Ofwat should support all companies to do this.”*
- *“Have to balance transformational change versus tight permits and balance risk with innovation. We’re a risk averse industry compared to others, need to weigh up risk and meeting targets.”*
- *“No mention of greener solutions? No hard infrastructure, more on enterprise”*
- *“Customer behaviour – Ofwat, us and other water companies need more support to change customer behaviour through national campaigns backed by the government.”*
- *“Think it’s important all water companies set a good example, now more than ever, especially with all the negative press and misreporting.”*
- *“We kept the water flowing are we getting tarnished for other people’s bad performance?”*

Do you think the strategy focuses on the right areas to drive transformational change in the industry? E.g. innovation, the natural environment, customer relationships. (This is featured on pages 26-29 of the document).

Employees felt that this strategy, especially in areas of transformational change, was vague and contradicted with other key elements. They were uncertain on terminology and concerned that some of the proposals lacked a clear customer focus.

Typical comments included:

- *“Feels like it’s missing about how we get more diversity and inclusion in the water sector.”*
- *“Doesn’t feel like a strategy for water companies.”*
- *“Feels like its creating work for someone, rather than doing something.”*
- *“I think if we have a shared vision we should start focusing on how we help the bad companies get better for the customers. It’s good that good companies get financial rewards, but if there’s penalties for companies who aren’t doing as well, how are they able to fix things and do better? Could Ofwat tell them how to spend money in line with DWI audits?”*
- *“Tackle climate change – to do that requires innovations, which comes with a risk!”*
- *“How are they expecting to deliver this nationally?”*
- *“More information about future proofing is needed so we’re always at the top of our game and attractive to shareholders.”*
- *“Excellence – we’re all feeling the resource stretch, so we’re unable to deliver excellence without the right amount of people to do the job.”*

Do you think long term aspirations and targets will be effective in driving the sector forwards? What should they cover and how should they work in practice?

Employees felt challenged by the strategy and whilst they felt elements were synonymous with their Business Plan objectives, they could not understand the timing of the strategy. They also felt that elements were vague and designed to make a statement, not deliver outcomes. In general, they raised more questions than were able to give answer on effectiveness.

Typical comments included:

- *“I think it’s going to make it challenging to deliver with financial constraints from the new Business Plans.”*
- *“Transformational change – already got tight permits so it’s difficult to balance risk with innovation.”*
- *“To tackle climate change we need to be innovative, and the water industry is quite risk averse compared to other companies, so will need to weigh up when we can take.”*
- *“Do not know how it will create innovation – saying it and forcing it doesn’t mean you will innovate.”*
- *“Does Ofwat facilitate Water Company sharing ideas and do they have an ideal – what good looks like?”*
- *“Is there an ideal water company model and set your targets around that?”*
- *“Feel like we already do this – what more can we do to wow the outside world?”*
- *“Talk about cutting bills but then promotes that we can charge more for good performance – does not make sense to most customers.”*
- *“Geography so different across the UK so difficult to specify these are right for all areas and all water companies.”*
- *“When are we going to find the miracle answer to say we’ve ticked the box on innovation?”*
- *“What does positive lasting change look like?”*
- *“What is the reason for the strategy and why is it needed?”*
- *“What is the current picture that the strategy will change?”*

Direct Responses

Blog

Following his attendance at the Future 30 event, Jonathan Banks, one of our Technical Support Advisors, published a blog outlining his experience of the event and encouraging others to respond. This blog also saw employees respond and engage directly. The blog and responses are outlined below.

Have your say on Ofwat’s future vision

I’m delighted to have been asked to take over Heidi’s blog this week. For those of you who don’t know me I’m Jonathon Banks and I work as a Technical Support Advisor in the Wastewater directorate. I’m also lucky enough to be one of the Institute of Water’s Rising Stars for 2019 and have the opportunity to attend many water industry events that are not normally available to individuals.

Last week, I was invited to attend Ofwat’s Future 30 Conference with Heidi. With a nod to 30 years since privatisation, Ofwat are busy considering a new, ambitious vision for regulating the water sector from 2020 onwards.

Ofwat’s vision needs to respond to the fundamental challenges the water sector faces today such as climate change, greater demand due to population growth and the need to prove we are

doing the right things for customers and the environment, so the conference was a chance to help co-create their plans a bit further or so I thought!

Prior to the event, I read up on Ofwat's vision in the Emerging Strategy document they've published. It outlines their preliminary view on how they think the water sector can have the most positive impact possible on the society and the environment over the next 30 years and is set out under three aspirations:

- Value – Water is affordable. Through delivering water and wastewater services, companies deliver value for customers, communities and the environment.
- Stewardship – Companies share responsibility for thinking and planning for the long term. They look after the systems, relationships, investment and reputation to ensure a sustainable future. They protect and enhance the environment.
- Excellence - The standard of service is continually rising and customers' changing expectations are continually met.

Coming from an operational background I attended the conference expecting to dive further into the 'nuts & bolts' of what these aspirations really mean for us as a company and how we'll need to adapt to meet the shifts in Ofwat's approach to regulation moving forward. But Ofwat had a few twists in mind.

- Twist one - Ofwat didn't reveal any further details about the aims of their future strategy with us. Instead it was an opportunity for water companies and the economic regulator to come together over a series of interactive and thought provoking workshops and challenge each other on how we can all think differently.
- Twist two – The conference attendees were not just made up of established senior leaders and chief executives, but also aspiring young professionals' like me who are relatively new to the industry and both attended in equal measure!

I'll share some of the takeaways from the different workshops on Cascade over the next few weeks as there was some great learnings for us especially from some organisations and companies outside of our industry. The main message from the conference though and the reason for me writing this blog is that Ofwat really want you to join the conversation on their vision for the sector and challenge them on it too.

During the conference Rachel Fletcher, CEO of Ofwat, talked about how we all have a shared interest and need to bring together the experience of everyone, our established senior leaders, our young professionals and our future leaders, to create plans that deliver tangible social, financial and environmental value. She believes that water companies could be the 'poster child' for ethical business but that to do this we need to ensure that these values are understood throughout our businesses and that we will all need to turn things on their head and think differently to get there.

Over to you...

Ofwat's emerging strategy is out there and they really want to hear what we all think about it whether we've been in the water sector for years or are new into it. So, have a read of the Emerging Strategy and then let's turn this blog post into a discussion area where you can share your views about it and we can then feed back to Ofwat.

To get started, here's a few things I'd like to hear your thoughts on:

- Do you think Ofwat's strategy will be effective in driving the water sector forwards? What works and/or what is missing for you?
- Do you think the strategy focuses on the right areas to drive transformational change in the industry? E.g. innovation, the natural environment, customer relationships. (This is featured on pages 26-29 of the document).

Heidi and I look forward to hearing what you think!

Responses

- *"It sounds like you had an interesting and thought provoking visit. What mention was made of leakage? OFWAT make no mention of it in the document you shared a link to, is it the elephant in the room?"*
- *"I haven't read all of Ofwat's document yet but from the bit I have read the thing that jumps out at me the most is how we are simultaneously facing drought issues due to population growth and average water usage per person and flooding issues due to heavy rain events caused by climate change. I know as a business we are already starting to do more in terms of rain water harvesting but for the industry / country moving forward I think this needs to be something that is much more widely adopted. The government would need to get more involved changing building regulations so instead of just fitting soak-aways we're actively reusing rain water in a more immediate way and possibly offering incentives for homeowners to retro fit rainwater harvesting systems in the way that they have encouraged people to better insulate their homes or invest in solar panels. Maybe we could encourage other businesses to install similar rainwater harvesting systems which would create a network of 'Jetter Refill Stations' around the North East, in return for money off their bills (might entice a few customers back to us?)"*

Engagement Examples

Below are some examples of the methods we used to encourage employee engagement in the Emerging Strategy consultation.

Consistent advertising of the opportunity



Headline story on the internal website

[Homepage](#)
[About Us](#)
[Teams](#)
[Communities](#)
[NWG](#)
[People](#)
[Services](#)
[Projects & Initiatives](#)

Hello Emma

Weather: **33°C**
 Durham Thunder storm

[Apple iOS 12.4 Update \(iPhone Users\)](#)
[INC001274: Update on Office 365 Issues \(Updated 22.07.18 - 4pm\)](#)
[INC000932: Siemens phones unable to receive inbound calls \(Updated 22.07.18 - 4pm\)](#)

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Home | Our NWG Community | Corporate News | Help to shape our future—Ofwat's Emerging Strategy

Help to shape our future - Ofwat's Emerging Strategy

22/07/2018 11:51 AM

This is a three minute read

We hope you've had a chance to catch up on Jonathon Banks', Technical Support Advisor, blog where he's told us all about attending Ofwat's Future 30 Conference he attended recently and how Ofwat really want our feedback on their 'emerging strategy' to help shape our future.

It's been almost 30 years since water companies were privatised and things have changed dramatically over the time and they've keen to ask us all for our views about how we shape the future of our industry.

The three main aspirations from the strategy:

Delivering exemplary excellence
The standard of service is continually rising and customers' changing expectations are met.

Stewardship for the future
Companies share responsibility for thinking and planning for the long term. They look after the systems, relationships, investment and reputation to ensure a sustainable future. They protect and enhance the environment.

Value for individuals and for society
Water is affordable. Through delivering water and wastewater services, companies deliver value for customers, communities and the environment. We are working together to shape and refine this vision for the future of water in England and Wales.

Get involved
Here's the emerging strategy – take a read over, don't be put off by the number of pages, it's relatively easy to read on any device and there's a summary on page 32.

We've been to a few of our northern sites talking to colleagues about Ofwat's emerging strategy though what do you think? We've added a quick survey here asking two questions, please get involved, leave your feedback and help us combine our feedback together. If you prefer, you can head over to Yammer and answer the questions, comment below or send us an email at communications@nwl.co.uk answering the two questions:

1. Do you think Ofwat's strategy will be effective in driving the water sector forwards? What works and/or what is missing for you?
2. Do you think the strategy focuses on the right areas to drive transformational change in the industry? E.g. innovation, the natural environment, customer relationships. (This is featured on pages 26-29 of the document).

We caught up with Rachel Fletcher...
Here's Rachel Fletcher, CEO of Ofwat, who came along to our Innovation Festival last week. We asked her a few questions about Ofwat's strategy and she touched more on Ofwat's shared vision for the future and explained that none of us in the water industry will get to leading position with more of the same.

We also asked if she believed events like the Innovation Festival will help us reach our goals and she said: "We need the energy, the inspiration, the ideas and the collaboration that today's event embodies and we need to see these ideas and these partnerships start being put into practice."

What others are saying
Here's what other companies are saying on social media.

We'll keep you up to date with the feedback we share with Ofwat on Cascade, #2Info and Yammer. Remember to check out Joerny's blog too.

Post

CEO's Blog

A message from
Heidi Mottram



Heidi Mottram 08/07/2019

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Prior to the event, I read up on Ofwat's vision in the Emerging Strategy document they've published. It outlines their preliminary view on how they think the water sector can have the most positive impact possible on the society and the environment over the next 30 years and is set out under three aspirations:

- ➔ **Value** – Water is affordable. Through delivering water and wastewater services, companies deliver value for customers, communities and the environment.
- ➔ **Stewardship** – Companies share responsibility for thinking and planning for the long term. They look after the systems, relationships, investment and reputation to ensure a sustainable future. They protect and enhance the environment.
- ➔ **Excellence** – The standard of service is continually rising and customers' changing expectations are continually met.

Coming from an operational background I attended the conference expecting to dive further into the 'nuts & bolts' of what these aspirations really mean for us as a company and how we'll need to adapt to meet the shifts in Ofwat's approach to regulation moving forward. But Ofwat had a few twists in mind.

- **Twist one** - Ofwat didn't reveal any further details about the aims of their future strategy with us. Instead it was an opportunity for water companies and the economic regulator to come together over a series of interactive and thought provoking workshops and challenge each other on how we can all think differently.
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Previous Posts

[Have your say on Ofwat's future vision >>](#)

[An alternative view on Women in Engineering Day from Nigel Watson, IS Director >>](#)

[Welcome to our Interim HR Director >>](#)

[A further update from Nigel on IS issues >>](#)

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Heidi and I look forward to hearing what you think!

Replies



Jonathon Banks 17/07/2019

Hi Tom, it was a really good visit, thank you and great that I've been able to share the experience with you all and try and encourage employees to have their say in the strategy. I agree that Leakage was indeed the elephant in the room and we've had a chat about it at a discussion group in Cramlington this morning. The discussion was around leakage being one of our main business priorities but doesn't feel like it is reflected as in Ofwat's strategy and maybe we need more of their backing to help us get the government behind all water companies to help drive down leakage as a lot of customers don't understand the value of water. We'll feed this into our response to Ofwat Tom, thank you.



Jonathon Banks 17/07/2019

Hi Eleanor Thanks for your idea, which I think is great. I attended a discussion group about the emerging strategy with colleagues at Cramlington this morning and used your idea to kick start our conversation. The guys agreed that we need backing from the government to change building regulations and recycle much more of our water for flushing our toilets as they do in other countries. We also discussed having compulsory water smart meters fitted, we'd need this to be backed by Ofwat as at the moment everyone has an option to have a meter or not, unless you have a new home. We also talked about incentives and that having a benefit to customers for saving water would definitely work, I think this is something we'll definitely feedback to Ofwat so thank you for your comments.



Eleanor Willis 09/07/2019

Hi Jonathon, I haven't read all of Ofwat's document yet but from the bit I have read the thing that jumps out at me the



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Tom Nichols 09/07/2019

enter text...Hello Jonathon, it sounds like you had an interesting and though provoking visit. What mention was made of leakage? Ofwat make no mention of it in the document you shared a link to, is it the elephant in the room?

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[Show All Replies](#)

H2Info sample articles

This week, Jonny Banks, Technical Advisor, attended the Future 30 Conference with Heidi Mottram, Chief Executive Officer.

The focus was on exploring the themes of Ofwat's emerging strategy which sets out a new shared vision for the water sector and their plans for regulating water and wastewater companies from 2020. You can read more on Ofwat's website [here](#).

Ofwat is really keen to hear what employees think about their emerging strategy and Jonny's Yammer page (search Jonathon Banks on Yammer) has more posts from the conference for you to read.

There'll also be a new blog on Cascade soon on with details on how we can all get involved.



This week, Jonny Banks, Technical Advisor, took over Heidi's Cascade blog, to share with you Ofwat's plans to introduce a new, ambitious vision for regulating the water sector from 2020 onwards.

You can read more about the plan in Jonny's blog on [Cascade here](#), as well as read their plan in more detail.

We'd also like you to tell us more about what you think of the emerging strategy by commenting on the blog.

Or by coming along to one of our Employee Communications drop in sessions next week. Please email communications@nwl.co.uk if you'd like to join them and we'll send you a diary invite.

They'll be at the following sites on the following days

- Monday 15 July 2019 – Broken Scar and Thornaby
- Tuesday 16 July 2019 – Howdon STW and Leat House
- Wednesday 17 July 2019 – Cramlington STW and Horsley labs
- Thursday 18 July 2019 - Boldon House and Northumbria House