

August 2024

DRAFT near final

Special Terms of Reference

The Role of the ICG in SRC27

Purpose

The Independent Customer Group (ICG) was established by Scottish Water in 2021 to provide strategic challenge and insight as the company transforms to become a fully customer centric organisation, implementing the Water Sector Vision and achieving the outcomes set out in its Strategic Plan.

Following the commissioning of the Strategic Review of Charges for the 2027-33 (SRC27) period by the Scottish Government, the Water Industry Commission for Scotland, Consumer Scotland and Scottish Water, in line with their respective statutory remits, have agreed a Memorandum of Understanding that sets out mechanisms to place customers at the centre of that process. Those mechanisms are founded on the principles of:

- Legitimacy;
- Empowerment;
- Independent challenge; and
- Collaboration.

Within that context Scottish Water and Consumer Scotland have agreed three pillars of work:

- Evidence (through customer research);
- Independent challenge (by a customer group); and
- Confirmation (customers broadly support Scottish Water's Business Plan).

Under the independent challenge pillar, the Water Industry Commission for Scotland, Consumer Scotland and Scottish Water have agreed the following:

- Scottish Water will be challenged to demonstrate that plans are reflective of customer expectations through an independent group;
- Challenges will be evidence based, identifying where gaps in the evidence base exist;
- Challenge will be realistic and balanced; and
- The group must have a structure and remit that ensures its independence from Scottish Water.

Appointment, Accountability and Operation for the period of the SRC

1. The ICG will fulfil the independent challenge pillar of work. Utilising its experience and expertise, the ICG will draw upon evidence to challenge Scottish Water's understanding and incorporation of customers' needs and expectations in its Business Plan.
2. The ICG will operate transparently and will report to the Boards of Scottish Water and Consumer Scotland on its independent role in SRC27, as set out in this Special Terms of Reference. It is expected that the additional requirements of the ICG under the Special Terms of Reference will cease in December 2026. This will allow for a

period of reflection and to collate lessons learned to help inform the subsequent review.

3. ICG's 'Business as Usual' role and remit to provide challenge and counsel to Scottish Water on operational and transformational activities will continue throughout the SRC period, although priority will always be given to Special Terms of Reference and the role requirement needed for the SRC.
4. New appointments to the ICG during SRC27 will be made with the agreement of Scottish Water, Consumer Scotland and the Chair of the ICG.
5. The ICG will be a visible part of the SRC27 process, providing updates on its activities and their impact on Scottish Water's strategic planning including but not restricted to:
 - A written report for inclusion in Scottish Water's Performance and Prospects Report and its Annual Report.
 - Meetings of the Chair with the Chair of Scottish Water's Board and with the Consumer Scotland Board at key stages (at least 3) in the SRC. Scottish Water will look to increase engagement between the ICG and Scottish Water's Board as part of its wider SRC engagement programme.
 - Updates to sector Stakeholders on its activities and the topics under discussion with Scottish Water.
6. The ICG will be expected to work collaboratively with stakeholders in the water sector, including through the refreshed Customer Research Co-ordination Group, which it chairs. Scottish Water and Consumer Scotland will provide the ICG with full access to their customer research and analysis to broaden the ICG's evidence base to allow it to fulfil its role.
7. The ICG will be demonstrably operationally independent of Scottish Water and Consumer Scotland, taking responsibility for its challenge to the company. The ICG is expected to ensure its challenge to Scottish Water reflects the evidence of the customer research and analysis available to it.
8. At the end of the process the ICG will produce an Assurance Report which will be published alongside Scottish Water's Business Plan together with a formal log of the challenges it has made to Scottish Water and the responses it has received.

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Guidance Note

The ICG will produce an Assurance Report which will be published alongside Scottish Water's (SW) Business Plan which will cover items such as:

- Has SW developed a genuine understanding of its customers' priorities, needs and requirements drawing on a robust, balanced and proportionate evidence base? Has SW engaged with customers on the issues that really matter to them?
- Where appropriate, has SW engaged with its customers on a genuine and realistic range of options? Where appropriate, has SW considered how it partners with customers to co-create and co-deliver solutions to underlying challenges?
- Has customer engagement been an on-going, two-way and transparent process, where SW is informing its customers as well as soliciting feedback from them?
- Has SW effectively engaged with and understood the needs and requirements of different customers including: those in circumstances that make them vulnerable; those that are hard to reach; and those in the business community?
- Has SW effectively engaged with its customers on longer term issues? Does the Business Plan adequately consider and appropriately reflect the potential needs and requirements of future customers?
- Has the evidence and information obtained from customers (including through SW's day-to-day contacts with customers) genuinely driven and informed the development of the Business Plan to benefit current and future customers? What trade-offs (for example between different customer groups) have been identified and how has SW proposed to deal with these?

The ICG will also produce an Interim Assurance Report on the Draft Business Plan to be shared with Scottish Water and Consumer Scotland, to help inform the Final Business Plan.