

SEWERAGE SECTOR GUIDANCE PANEL

TERMS OF REFERENCE

V1 14 December 2018

1. INTRODUCTION

This document sets out the Terms of Reference for the panel (the **Panel**) established to consider Change Proposals to the Sewerage Sector Guidance and the Model Sewerage Adoption Agreement under the Ofwat Code for Adoption Agreements, August 2018 as that code may be revised from time to time (the **Code**).

2. DEFINITIONS

2.2 In these Terms of Reference, the following definitions apply in addition to those definitions included elsewhere in these Terms of Reference:

- (a) **Business Day** means a day on which banks are ordinarily open for business in England, not being a Saturday or Sunday;
- (b) **Change Proposal** means proposed change to the Sewerage Sector Guidance or the Model Adoption Agreement;
- (c) **Customer** means a customer of a Sewerage Company's developer services at any point in the process to adopt infrastructure from the point of application for an adoption agreement to the completion of that agreement. This does not include the End-User Customer but includes Developers;
- (d) **Developer** means any person or company which is responsible for a Development;
- (e) **Development** means premises on which there are buildings, or on which there will be buildings when proposals made by any person for the erection of any buildings are carried out, and which require connection with, or modification of, existing sewerage infrastructure;
- (f) **End User Customer** means the owner or occupier of premises who receives a supply of water and/ or sewerage services from a relevant Sewerage Company or Licensed Retailer. For the purposes of these Terms of Reference, this does not include Developers or Licensed Retailers.
- (g) **Guidance** means the sewerage sector guidance approved by Ofwat under paragraph 3.2.4 of the Code.
- (h) **Implementation Date** means the date on which the Sector Guidance comes into effect;
- (i) **Independent** means not involved or interested in the provision of water and/or sewerage services to consumers in England and Wales in any manner whatsoever (including, without limitation, as an officer or employee of,

consultant to or investor in a Sewerage Company, Licensed Retailer or otherwise involved in the provision of water and/or sewerage services to consumers in England and Wales, other than (i) as a consumer or (ii) as a person appointed under these Terms of Reference);

- (j) **Licensed Retailer** means a holder of a sewerage supply licence with a retail authorisation under sections 17A and 17BA Sewerage Industry Act 1991 (WIA 1991);
- (k) **Member** means a member of the Panel appointed in accordance with these Terms of Reference and being a natural person;
- (l) **Model Agreement** means the Model Sewerage Adoption Agreement approved by Ofwat in accordance with the Code;
- (m) **Operational Terms** means the detailed operational procedures applying to the Panel and which may be changed from time to time by the Panel subject to compliance with these Terms;
- (n) **Panel Nomination Meeting** means a meeting convened by the Secretariat under clause 6 for the purposes of selecting Members;
- (o) **Secretariat** means the one or more individuals engaged by the Panel to provide administrative support to its activities;
- (p) **Sewerage Adoption Agreement** means an agreement under section 104 WIA 1991 for the construction of water infrastructure by a Customer, and the transfer of ownership of the assets to a relevant Sewerage Company;
- (q) **Sewerage Company** means a company holding an appointment under the WIA 1991 to provide sewerage services;
- (r) **Website** means the website established by the Panel for the purpose of publicising these terms of reference and the work of the Panel;

In these Terms of Reference:

- (a) Words denoting persons include individuals and bodies corporate, partnerships, unincorporated associations and other bodies;
- (b) References to 'writing' or 'written' includes emails;
- (c) References to the Code or any other document are to the Code or that document as amended, replaced or extended from time to time in accordance with the requirements of the Code or that document (as the case may be);
- (d) A reference to any body is: (i) if that body (statutory or otherwise) is replaced by another organisation, deemed to refer to that replacement organisation; and (ii) if that body (statutory or otherwise) ceases to exist, deemed to refer to that organisation which most substantially serves the same purposes as the original body;

(e) A reference to a statute or statutory provision must, unless otherwise stated, be construed as including: (i) a reference to any orders, regulations and subordinate legislation (as defined by section 21(1) of the Interpretation Act 1978) made from time to time under the statute or statutory provision; and (ii) a reference to that statute, statutory provision or subordinate legislation as may be modified or replaced from time to time;

(f) References to a person must, except where the context requires otherwise, include its successors in title and permitted assignees;

(g) Any words or expressions used in the WIA 1991 or Sewerage Act 2014 have, unless the contrary intention appears, the same meaning when used in these Terms of Reference; and

(h) The words 'other', 'includes', 'including' and 'for example' do not limit the generality of any preceding words, and any words which follow them must not be construed as being limited in scope to the same class as the preceding words where a wider construction is possible.

3. FUNCTION OF THE PANEL

3.1 The function of the Panel is to consider Change Proposals to the Guidance and the Model Agreement and to make recommendations to Ofwat concerning such proposals in accordance with the requirements of the Code.

3.2 In carrying out that function, the primary aim of the Panel shall be to promote practices and procedures that contribute to the timely construction of sewers that comply with the Guidance and allow Sewerage Companies to fulfil their statutory duty of effectually draining their area of operation.

3.3 The decision on whether to accept any Change Proposal shall be for Ofwat to make in accordance with the Code.

3.4 In carrying out its functions the Panel shall:

3.4.1 take into account the Code's purposes, as set out in paragraph 1.2.2 of the Code, including, in particular, the purpose of enabling effective competition in the provision of new connections; and

3.4.2 where possible, encourage the removal of local practices where this can be shown to be of benefit to Customers.

4. DUTIES OF THE PANEL

4.1 The Panel shall have the duty to:-

4.1.1 arrange for the election of Members;

4.1.2 develop a budget for its activities in accordance with clause 8;

4.1.3 obtain insurance in respect of such liabilities relating to its activities as it shall consider appropriate;

4.1.4 arrange for the publication via a website of its proceedings, including all Change Proposals, deliberations of the Panel and decisions on Change Proposals.

5. POWERS OF THE PANEL

5.1 The Panel shall have the power to:

5.1 appoint, remunerate and remove the Secretariat and set out the working procedures, roles and responsibilities of the Secretariat;

5.2 appoint, remunerate and remove any professional advisers

5.3 constitute working groups from among its members to which it may delegate any of its duties and powers under these terms of reference;

5.4 do anything else reasonably necessary for or incidental to the discharge of its function.

6. SECRETARIAT

6.1 The Secretariat shall carry out the functions allocated to it under these terms of reference and its overriding objective shall be to ensure that the Panel operates effectively in accordance with these terms of reference.

6.2 The Panel may from time to time adopt a more comprehensive set of rules governing the constitution and role of the Secretariat.

7. APPOINTMENT OF CHAIRPERSON

7.1 The first chairperson of the Panel shall be appointed by Water UK and subsequent chairpersons shall be appointed by the Panel.

7.2 In all cases, the appointment shall be advertised publicly in The Guardian or a similar publication and Water UK, for the first appointment, and the Secretariat in respect of subsequent appointments, shall arrange for a shortlist of suitably qualified candidates to be interviewed by a panel of Sewerage Companies and Customers. Water UK or the Secretariat, as the case may be, shall use all reasonable endeavours to secure a balanced appointment panel between Sewerage Companies and Customers.

7.3 The person selected as Chairperson shall be the person who in the reasonable opinion of the selection panel best fulfils the following criteria:

- 6.3.1 demonstrable chairing skills;
- 6.3.2 independence,
- 6.3.3 understanding of or ability quickly to understand the objectives of the Code and Panel.

8. MEMBERSHIP OF THE PANEL

Composition

- 8.1 The Panel shall consist of ten Members, comprising five nominated by Sewerage Companies and five nominated by Customers.
- 8.2 Observers may from time to time be invited to attend meetings of the Panel as the Panel may determine and subject to such conditions as to speaking as may be determined by the Panel.
- 8.3 The election and removal of Members shall be dealt with in accordance with the rules set out below.
- 8.4 The Secretariat shall fix the date of each Panel Nomination Meeting and shall give each Sewerage Company and each such Customer not less than twenty (20) Business Days' notice in writing of the date of such meeting. A Panel Nomination Meeting shall be held no later than [1 July 2019] and no later than 1 May in every second year following that date.
- 8.5 For the purpose of consultation under clause 8.4, the Secretariat shall communicate direct with Sewerage Companies and Developers and for the purposes of consultation with Developers, its consultation shall be both direct with those Developers whose contact details it possesses, via the Panel's website and via such trade associations considered to be representative of Developers.
- 8.6 Each Sewerage Company and each Customer may send one suitably authorised representative to attend each Panel Nomination Meeting in person wherever possible. Where a Sewerage Company or Customer has no suitably authorised representative who is available to attend the Panel Nomination Meeting in person, it shall arrange for a suitably authorised representative to participate in the Panel Nomination Meeting by way of a conference telephone call providing such representative is able to speak to each of the others and to be heard by each of the others simultaneously. In such circumstances, the Sewerage Company or Customer (as relevant) shall provide the Secretariat with notice in writing confirming that no suitably authorised representative is available to attend the Panel Nomination Meeting in person, such notice to be received not less than forty-eight (48) hours before the stated commencement time for the Panel Nomination Meeting.
- 8.7 Each Sewerage Company and each Customer shall be entitled, by notice to the Secretariat given no earlier than fifteen (15) Business Days before the date of and not later than five (5) Business Days before the stated commencement time of the Panel Nomination Meeting, to nominate one (1) individual to be a Member.

- 8.8 Individuals nominated pursuant to clause 8.7 shall be employed by a Sewerage Company or Customer as the case may be, and shall have the requisite skills and experience to fulfil the role of Member.
- 8.9 Nominations made under this clause 8 shall contain the name, address, date of birth and details of the relevant skills and experience of the nominated individual. For such nomination to be valid it must be in writing and must be accompanied by a written statement from the nominated individual stating that he or she is aware of the nomination and would be prepared to serve as a Member if elected.
- 8.10 The Secretariat shall circulate to each Sewerage Company and Customer a list of the names of all of the individuals nominated to serve as Members and a voting paper no later than seventy-two (72) hours before the stated commencement time for the Panel Nomination Meeting;
- 8.11 Where any person is participating in the Panel Nomination Meeting by way of a conference telephone call and the number of nominated individuals exceeds the number of Sewerage Company or Customer Members to be elected for the following two-yearly period, as the case may be, that person's vote shall only be counted if he or she shall have completed the voting paper and returned the voting paper to the Secretariat by email no later than one (1) hour in advance of the stated commencement time for the Panel Nomination Meeting (with the original to follow in the post);
- 8.12 Any authorised representative of a Sewerage Company or Customer, as the case may be, who is participating in the Panel Nomination Meeting by way of a conference call shall only be entitled to take part in the Panel Nomination Meeting where that person has submitted his or her voting paper to the Secretariat in accordance with clause 8.11.
- 8.13 If the number of individuals nominated to serve as Sewerage Company or Developer Members equals the number of Sewerage Company or Developer Members to be elected for the following two-yearly period, as the case may be, then those individuals shall duly become the Members for the following two-yearly period.
- 8.14 If the number of individuals nominated to serve as in any category of Member exceeds the number to be elected for the following two-yearly period the Secretariat shall arrange for those present at the Panel Nomination Meeting to undertake a written voting procedure, under which potential Members in each of the two categories of potential Members shall only be voted upon by companies within the respective category.
- 8.15 The procedure, which shall take into account the votes submitted under clause 8.11, shall be that the five nominees from Sewerage Companies attracting the most votes from Sewerage Companies and the five nominees from Developer Customers attracting the most votes from Developer Customers shall be elected to be Members.
- 8.16 If the operation of the above procedure fails to secure the election of sufficient Members in any or all of the three categories of Member, the Secretariat shall convene a further Panel Nomination Meeting following the above procedures to the extent reasonably possible with a view to securing the election of further representatives of Sewerage Companies or Customers as the case may be so that the Panel is constituted as required under clause 8.1.
- 8.17 Panel Members appointed in accordance with this clause 8 shall be appointed for a fixed term not exceeding two (2) years and shall be eligible for re-appointment following expiry of their initial or any subsequent term.

- 8.18 A person shall cease to hold office as a Panel Member if:
- (a) he or she resigns office by notice delivered to the Secretariat; or
 - (b) the Panel resolves that he or she should cease to hold office; or
 - (c) they are, for any reason or change of circumstance, no longer able to act in accordance with the requirements of clause 8.24;

and upon any person ceasing to hold office as a Member a new Member shall be elected as appropriate in accordance with this clause 8. Once elected a new Member shall take office with immediate effect.

- 8.19 The circumstances in which the Panel may resolve that a person shall cease to hold office include where:
- 8.19.1 he or she shall cease to be employed by a Sewerage Company or Customer as the case may be;
 - 8.19.2 he or she is absent for more than three meetings in any twelve month period (unless prevented from attending on any occasion by exceptional circumstances);
 - 8.19.3 he or she acts in a way that would or would be likely to bring the Panel or the operation of the Sector Guidance into disrepute or otherwise affect adversely the reputation of the Panel.
- 8.20 Members may by writing to the Chairperson appoint an alternate person to represent them at up to two meetings of the Panel in any calendar year.
- 8.21 Such alternates may attend and exercise and discharge all the functions, powers and duties of his/her appointor at the relevant meeting or meetings of the Panel.
- 8.22 Members may by notice in writing to the chair of the Panel remove or replace their then nominated alternate.
- 8.23 References in these terms of reference to a Member shall be construed as including a reference to that Member's alternate.

Role of Members

- 8.24 A person appointed as a Member, when acting in that capacity:
- (a) shall act impartially, in the best interests of the market as a whole and shall be guided by the aim set out in clause 3.2;
 - (b) shall not be representative of and shall act without regard to the particular interests of the body or person by whom he or she was nominated to be a Member.
- 8.25 A person shall not be elected as a Member unless he or she shall have first confirmed in writing to the Secretariat that they agree to act as a Member in accordance with and acknowledges

the requirements of clause 8.24 and have provided to the Secretariat a letter from their employer agreeing that they may act as a Member and that the requirements in this clause shall prevail over his duties as an employee

- 8.26 A person elected as a Member shall notify the Secretariat in writing where they cease to be employed by the employer by whom they were employed at the date of their appointment or any change of role which impacts on their ability to act in accordance with clause 8.24.

Fees and Expenses

- 8.27 The Chairperson shall be entitled to reasonable remuneration for their services on or in connection with the Panel. For the avoidance of doubt, no other Members shall be entitled to remuneration for their services on or in connection with the Panel.

- 8.28 Each Member and the Chairperson shall be entitled to all documented travelling and other expenses properly incurred by him or her in connection with his or her attendance at a meeting of the Panel or otherwise in connection with the discharge of his or her duties as a Member or Chairperson as the case may be.

- 8.29 Any remuneration to be paid in accordance with clauses 8.27 and 8.28 above shall be paid by Water UK.

9. BUDGET

The budget for the Panel shall be prepared for the first year of its operation by Sewerage UK and for subsequent years shall be proposed by the Panel, acting on the advice of the Secretariat, no less than 90 days before the date on which Sewerage UK decides on its budget. Currently, therefore, a budget proposal would need to be submitted by no later than 31 December in each year.

10. OPERATION OF THE PANEL

Chairing arrangements

- 10.1 The role of the Chairperson shall be to secure that the Panel operates in accordance with the requirements of the Code and these Terms of Reference.

- 10.2 The Chairperson shall not have a vote on any matter.

- 10.3 If the Chairperson is unable to attend a meeting a deputy chairperson shall be appointed to chair the meeting in question by majority vote of those present at the meeting of the Panel. Such person shall not have a vote at such meeting save in the case of a tied vote.

Overriding Objective

- 10.4 The Panel shall, at all times, act in an independent, impartial and transparent manner, and in accordance with the Code. The Panel shall do all such things as the Panel considers necessary for acting in such manner.

- 10.5 Unless otherwise decided by the Panel, all meetings shall be open to the public.

- 10.6 The Secretariat shall arrange for all meetings to be advertised on the Website on or immediately after the day on which any meeting is convened.

Convening meetings

- 10.7 Any meeting of the Panel shall be convened by the Secretariat in one of the following ways:
- 10.7.1 by giving notice to each Member and any alternate appointed in accordance with clause 8.20, setting out the date, time and place of the meeting and (unless the Panel has otherwise decided) giving at least 20 (20) Business Days' notice of the meeting and accompanied by an agenda and such supporting papers as are necessary.
 - 10.7.2 where the Secretariat with the agreement of the Chairperson is of the reasonable opinion that an urgent meeting is required to consider any Change Proposal, (and the business of that meeting is capable of being transacted in accordance with clause 10.13), the notice period required in clause 10.7.1 shall be waived
- 10.8 With the consent of all Members and the Chairperson the requirements of clause 10.7.1 may be waived or modified,
- 10.9 Meetings shall be convened no less than once every six months, and unless otherwise agreed by the Panel, shall be convened every two months during the first year in which the Panel is in operation.
- 10.10 A meeting of the Panel may consist of a conference between Members who are not all in one place, but who are able to speak to each of the others and to be heard by each of the others simultaneously. A Member taking part in such a conference or telephone call shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in the quorum accordingly. In this case there is no requirement that the Members are in England or Wales as the case may be.
- 10.11 Where a Member has an interest, direct or indirect, in any actual or proposed matter which conflicts with the interests of the Panel or where a Member becomes aware that an entity for which he or she works or provides services (or an affiliate of such an entity) has such an interest, that Member shall declare such conflict to the Panel. The fact that a Member works for a Sewerage Company or Customer shall not, by itself, constitute a conflict required to be declared to the Panel under this clause.
- 10.12 The Panel shall, in the event of any conflict of interest being declared by a Member at a meeting of the Panel, decide the most appropriate course of action and in doing so, will be guided by the purposes of the Code.

Decision making

- 10.13 No business shall be transacted at any meeting of the Panel unless a quorum is present at the meeting. The quorum for a meeting shall be six Members, including no less than three appointees from Sewerage Companies and three from Developer Customers, each of whom must be entitled to vote at that meeting.
- 10.14 Each Member shall be entitled to attend, and to speak and vote at, every meeting of the Panel.
- 10.15 At any meeting of the Panel any matter to be decided shall be put to a vote of Members upon the request of any Member.

- 10.16 Any matter to be decided by a vote shall be decided by:
- (a) a unanimous vote of those votes cast at the meeting by Panel Members (and an abstention shall not be counted as a cast vote); or
 - (b) being voted for by a Qualifying Majority.
- 10.17 For the purposes of clause 10.15, a "Qualifying Majority" shall be not less than a majority of votes cast either in person or in writing provided that such majority includes at least two persons from each category of Member.
- 10.18 A resolution in writing signed by or on behalf of all of the Members entitled to vote in respect of the matter which is the subject of the resolution shall be valid and effectual as if it had been passed at a duly convened and quorate meeting of the Panel and such an instrument may consist of several instruments in like form each signed by or on behalf of one or more of the Members.

Procedures

- 10.19 At its meetings, the Panel shall consider what necessary or beneficial changes are needed to the Sector Guidance and Model Adoption Agreement in response to any written Change Proposals that it receives and make recommendations to Ofwat in accordance with the requirements of the Code.
- 10.20 Prior to considering any Change Proposal at a meeting, and other than in a case of urgency as certified by the Chairperson, the Panel shall at least 15 Business Days ahead of such meeting:
- 10.20.1 have published the same on the Website
 - 10.20.2 have notified such interested parties as it considers appropriate of the Change Proposal, including Customers, Sewerage Companies and other interested parties the Panel may reasonably seek guidance from such as the Drinking Sewerage Inspectorate and the Environment Agency.
- 10.21 At its meetings, the Panel shall take into account comments received pursuant to such publication and notification.
- 10.22 The Panel shall assess all Change Proposals in terms of: (i) the need for the change, for example, is it a service improvement or is it needed to address a particular issue; (ii) consistency with the principles and objectives of the Code, and any relevant statutory or regulatory requirements; and (iii) the impact of the change (be it positive and/or negative) on Customers and on Sewerage Companies.
- 10.23 In considering how to deal with any Change Proposals, the Panel shall:
- 10.23.1 consider how much notice Customers and Sewerage Companies may reasonably require to be able to meet any new requirements, which may not be less than 20 Business Days;
 - 10.23.2 ensure that changes do not have retrospective effect;

- 10.23.3 have regard to Information Notices, orders and determinations issued by Ofwat, and consider whether consequential amendments to the Sewerage Sector Guidance and Model Adoption Agreement are required as a result.
- 10.24 Minutes of meetings of the Panel shall be taken and published on the Website within one calendar month of the relevant meeting.
- 10.25 Only the Chairperson shall comment publicly on deliberations and decisions of the Panel.
- 10.26 The Panel may from time to time set out requirements that Change Proposals must meet with a view to ensuring that it has adequate information to allow proper consideration of the content of such Change Proposals.

11. CONTENT OF RECOMMENDATIONS

11.1 Each recommendation shall set out in writing the following:

- 11.1.1 what the recommended change is and the area that the recommended change will affect;
 - 11.1.2 whether the change has been assessed in terms of whether, and if so, how the change has been assessed in terms of meeting the requirements set out in paragraph 3.9.1 (b) of the Code;
 - 11.1.3 whether interested parties including Customers have been consulted, providing examples to evidence this;
 - 11.1.4 whether changes should or should not be made to the Sewerage Sector Guidance or the Model Adoption Agreement and the reasons why changes should or should not be made;
 - 11.1.5 a suggestion of when recommended changes should be effective from;
 - 11.1.6 whether the recommendation reflects consensus of opinion of panel members.
- 11.2 Where the recommendation does not reflect consensus of opinion the panel must set out the differing views of its members and the reasons for following one view over an alternative view. If the Scheme Representative does not agree with a recommendation, the views of the Scheme Representative must also be set out.

12 SUBMISSION OF RECOMMENDATIONS

- 12.1 All recommendations shall be submitted to Ofwat no later than three calendar months after the relevant Change Proposal has been published under paragraph 10.20.1.
- 12.2 All such submitted recommendations shall also be published by the Panel on the Website.
- 12.3 The Panel shall also publish on the Website details of all changes approved by Ofwat pursuant to the Code.

13 AMENDMENTS TO THESE TERMS OF REFERENCE

The Panel may, subject to the consent of Ofwat, propose amendments to these Terms of Reference from time to time where necessary or desirable for the purposes of fulfilling its functions under the Code.