
2021 Panel Effectiveness Review

Meeting Name:	Strategic Panel 07
Paper Number:	SP07_03
Meeting Date:	13 September 2022
Purpose of Paper:	Information
Classification:	Public*
Synopsis:	This paper provides an overview of progress made in implementing the recommendations of the 2021 Panel Effectiveness Review.

RECOMMENDATION:	The Strategic Panel is invited to: <ul style="list-style-type: none">• Note the contents of this paper; and• Raise questions.
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*This paper was originally classified as “confidential”. However, at the 13 September Strategic Panel meeting, the Strategic Panel members requested that this paper be published in its entirety on the MOSL website. Therefore, this paper is now classified as “public”.

1. Background

In 2020, the Panel (the Strategic Panel's predecessor) established a Governance Steering Group to review whether market governance arrangements were fit to deliver stakeholder expectations of the market, the Market Governance Review. The review included an examination of the Panel's effectiveness. The Governance Steering Group commissioned an independent consultant, Satori Board Review, to undertake the effectiveness review.

In January 2021, Satori Board Review published a report (the "Satori Report") which contained 42 recommendations for improving the Panel's effectiveness, split into two workstreams: a strategic roadmap to implement longer-term strategic changes and a service roadmap to support the implementation of tactical "quick wins". The full report can be found here: [Satori Report](#)

The report highlighted that critical to Panel's success as a decision-making body (and the first step of the strategic roadmap) was ensuring its strategic purpose, vision and objectives were clearly defined, communicated, and understood by its Members and the market. Clearly articulated strategic objectives and improved stakeholder engagement were required for the Panel to track its performance, assess its value for money and make improvements to its operational effectiveness.

The Satori Report recommendations were accepted by the Panel in February 2021.

2. Progress Against Satori Report Recommendations

Of the 42 recommendations, 24 have been completed, 14 are in progress and 4 are outstanding. A status report for each of the 42 recommendations is provided in Appendix 1.

The majority of the recommendations pertaining to strategic purpose, strategic objectives and stakeholder engagement have been implemented following the establishment of the new market governance structure in March 2022 (the establishment of the Strategic Panel and the Code Change Committee), the publication of the Strategic Panel's Engagement Plan, as well as publication of its Priorities and Market Outcomes in September 2022.

The Secretariat is overseeing delivery of the outstanding recommendations as part of its broader work plan to support the Strategic Panel and its Committees in improving their governance processes.

3. Next Steps

Recommendations which remain open will be addressed through planned work. In particular:

- The Change Mechanism Review;
- Development of Strategic Panel success measures;
- Reviews of the Market Performance Committee and the Disputes Committee; and
- A programme of Secretariat support work.

Implementation of the open recommendations will be progressed as outlined below.

- The **Change Mechanism Review** will address 7 recommendations:
 - 8 Customer impact (from decisions) could be measured and Panel should drive MOSL harder in delivering proper predicted and then actual, impact data and analytics. Consistent demand here will be important in inculcating customer into the psyche of the Panel and market participants.
 - 23 Gain real clarity on cost of MOSL services, cost implications of Panel decisions and build a stronger focus on cost-benefit analysis to help shape and prioritise decisions and impacts.
 - 24 Continue to push for enhanced performance from MOSL, stronger data & analytics to support decision processes, code proposal analyses and drive continuous improvement to market led code proposals through insistence on pre-set levels of quality.
 - 30 Consider implementing a more rigid decision-making framework. Look to the regulatory “decision-making process” approach for inspiration in this. Adhere to the process come what may.
 - 31 Send any change proposals back that do not meet the expected standards. Do this consistently and without fail, explaining why the proposal has not made it through. This will drive both market participants and MOSL toward better evidence and in time generate higher quality proposals. This will materially impact workload and efficiency.
 - 33 Build a triage mechanism to protect Panel time, enable focus on the most important proposals and to prioritise recommendations that flow through to OFWAT to avoid undue logjams and delays. Work with industry to establish this framework.

- 34 Panel is well positioned to take the lead in unravelling the more strategic challenges in the market. It could be leading the development of strategic change proposals that have considerable positive market impact and support agreed market priorities. Be more ambitious in developing your own change proposals.
- The Strategic Panel's workstream looking at **success measures** will look to address 4 recommendations:
 - 8 Customer impact (from decisions) could be measured and Panel should drive MOSL harder in delivering proper predicted and then actual, impact data and analytics. Consistent demand here will be important in inculcating customer into the psyche of the Panel and market participants.
 - 13 Panel requires better support in data & analytics and financial planning, to enable it to better measure market impacts, prioritise its activities, understand cost-benefit, measure decision efficacy and create feedback loops that enable it to improve its performance over time.
 - 23 Gain real clarity on cost of MOSL services, cost implications of Panel decisions and build a stronger focus on cost-benefit analysis to help shape and prioritise decisions and impacts.
 - 39 Once purpose is established design Panel KPIs for its own performance, e.g. time taken to process change proposals, market and customer impacts of decisions, annual stakeholder survey results (independently delivered), volume of proposals sitting with OFWAT and so on.
- The Strategic Panel has timetabled **Committee reviews** of the Market Performance Committee and the Disputes Committee into its priority work programmes which will address 1 recommendation:
 - 19 Sub-committees need reviewing in light of better alignment on Panel purpose. Their purpose should be directly linked to Panel purpose and strategy, with clearer Terms of Reference, more directional and demanding contribution from Panel and more effective reporting on core outputs and progress.
- MOSL is programming **Secretariat support work** to help the Panel progress the following 8 recommendations:
 - 15 Once clear on the purpose Panel should discuss what the optimal balance of skills would be to deliver the vision and strategy. This should be kept

under constant review, be enshrined in a skills matrix and be used to be more specific about what you are seeking from industry in the next phase of recruitment. Active shaping of role specifications will help ensure Panel capability tracks in line with strategic need.

- 16 Active succession management is required to deliver the above in an ordered and deliberate fashion. This includes active management of tenures and more focus on ensuring the recruitment process delivers what you need, at the same time as respecting the need for elections. Employer brand focus required here.
- 21 Secure financial planning and analysis support either from MOSL or hire into the Secretariat team.
- 37 A Panel development plan should be created that enables the Panel to continuously enhance its own performance. A cadre of the Panel and/or Secretariat will need to take accountability for driving its development and implementation.
- 38 Chair is developing an annual round of Panel review, as well as ongoing feedback for Members to encourage the right behaviours and levels of contributions.
- 40 Find ways of further assuring the independence of Members, some unconscious bias training for example may help market impressions of independence.
- 41 Keep one eye on training requirements to fill in any skills gaps for both Panel overall and individuals who need help with performance.
- 42 Consider the use of “buddies” for newly appointed Members, a fuller on-boarding process and the development of a “Member Handbook” that articulates things like purpose, role responsibilities, codes of conduct, terms of reference for the Panel and sub-committees etc...

A further update will be brought to the Panel in six months’ time, when it is anticipated that all actions will be complete.

Appendix 1 – Recommendations Status Report

Category	No.	Recommendation	Status
Stakeholder	1.	In tandem with discussion of core purpose (see item 6) clarify with Defra, OFWAT and MOSL what expectations each body has of the Panel, its role, its outputs and its market interface with stakeholders. Enhance clarity of task boundaries with particular emphasis on who is responsible for discussing and delivering market strategy.	Complete – New Strategic Panel in place with clarity over its role, outputs and interfaces, as documented in its Terms of Reference, delegated obligations, priorities documents and other governance framework documentation.
	2.	Clarify with MOSL what would define an “optimal relationship” between Panel and MOSL. Use this to drive clarity and collaboration at the interface.	Complete – MOSL is a core stakeholder, as detailed in the Panel’s engagement plan. The Terms of Reference articulate its authority vis a vie MOSL, and that the MOSL CEO is an Affiliated Member. It has been agreed that MOSL retains a separate business plan, which it consults the Panel on annually. However, MOSL remains independent.
	3.	Once clarified communicate and socialise Panel role and function more widely across the market, proactively stimulate market engagement with Panel and its activities.	Complete – Role and function of the Strategic Panel and the Code Change Committee discussed, refined and syndicated with stakeholders through the change assessment and development that led to the Strategic Panel’s establishment. Subsequently, the Strategic Panel has continued to communicate its role and activities. Engagement Plan in place including Round Tables and Open Forum.
	4.	Enhance feedback loops with market stakeholders, customer satisfaction surveys with focus on value for money, funding, decision making efficacy, demonstrating independence, market impact and market priorities.	Complete – Engagement Plan in place including Round Tables and Open Forum.
	5.	Strengthen market communications on the Panel’s activities, decisions, performance, market impact and effectiveness.	Complete – Engagement Plan in place including Round Tables, Open Forum and attendance at MOSL’s CEO forum.
Purpose	6.	Urgent need to clarify purpose of the Panel. Work with Defra, OFWAT and MOSL in determining the Panel’s place in the market. This conversation will provide clarity that should then feed into vision, strategy, plan and measurement of progress against that plan (KPIs). It will also establish a common language around purpose that can	Complete – New Strategic Panel’s priorities have been agreed and documented.

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		be socialised more widely across the market. Including what the Panel is not there to do.	
	7.	Lack of common understanding of what “holding MOSL to account” means, signifies a need to re-interpret purpose and to ensure Panel time is spent forensically doing its duty and not more. Panel has a lesser role to play here than the MOSL Board and must not waste time in duplication.	Complete – New Strategic Panel. Covered off in the change proposal and confirming the different roles of the MOSL Board v.s. the Panel. (Board responsible for running of the company v.s. Panel responsible for curating market rules.) We will keep under review.
	8.	Customer impact (from decisions) could be measured and Panel should drive MOSL harder in delivering proper predicted and then actual, impact data and analytics. Consistent demand here will be important in inculcating customer into the psyche of the Panel and market participants.	In Progress – New primary principle re. customer benefits embedded in Code. Success metrics under development. Customer impact has been identified as a key element to build into the review of the change mechanism.
	9.	When considering purpose the Panel should discuss with wider stakeholders any expectations there may be for the Panel to help shape innovation within the market.	Complete – New Strategic Panel structure and later its priorities document have been heavily consulted on with stakeholders.
Strategy	10.	Clarify the role of the Panel in market strategy with OFWAT, MOSL and Defra and ensure there are clear metrics that enable the measurement of impact and progress.	Complete – New Strategic Panel Priorities and Terms of Reference. (See no. 39 re. KPIs).
	11.	The Panel should pursue its own strategy centred on continuous improvement, across all aspects of its operation.	Complete – New Strategic Panel. Market Outcomes and Panel Priorities documented and published.
	12.	Panel would also benefit from more focus on strategic thinking, stimulated by a better agenda and more focus on debating the key market issues in meetings. More strategy and less supervision.	Complete – New Strategic Panel, which has a clear focus on the strategic issues as per its Terms of Reference and the Panel Priorities document.
	13.	Panel requires better support in data & analytics and financial planning, to enable it to better measure market impacts, prioritise its activities, understand cost-benefit, measure decision efficacy and create feedback loops that enable it to improve its performance over time.	In Progress – Success measures under development. This will include updates on the incurred Panel costs, including Committee costs. See also action 22.
Structure	14.	Clarification of purpose should drive a review of composition for both Panel and Committees, including	Complete – New Strategic Panel has a reconstituted membership composition.

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		balance of independents and representation of trading blocks.	
	15.	Once clear on the purpose Panel should discuss what the optimal balance of skills would be to deliver the vision and strategy. This should be kept under constant review, be enshrined in a skills matrix and be used to be more specific about what you are seeking from industry in the next phase of recruitment. Active shaping of role specifications will help ensure Panel capability tracks in line with strategic need.	In Progress – Review of composition and skills requirements undertaken in the development and assessment of the changes which introduced the Strategic Panel and Code Change Committee. Regular composition reviews to be scheduled, aligning with an annual strategy review. A skills matrix will also be developed, based on the matrix already adopted successfully by the MOSL Board.
	16.	Active succession management is required to deliver the above in an ordered and deliberate fashion. This includes active management of tenures and more focus on ensuring the recruitment process delivers what you need, at the same time as respecting the need for elections. Employer brand focus required here.	Outstanding – Secretariat to facilitate now that the Panel has been operating for over six months.
	17.	Conduct a benchmarking exercise to determine overall fees for independents, also consider whether remuneration structure and incentivisation are driving the right behaviours as a part of that.	Complete – New Strategic Panel in place, which included review of remuneration. (As per best practice, we may want to consider an annual benchmarking exercise facilitated by Secretariat.)
	18.	Any composition and structural review should take into consideration an appropriate time commitment from Members (some have stepped away as it is too burdensome). There may be opportunities to widen the burden and workload by populating sub-committee with trading parties as opposed to Panel Members for example.	Complete – New Strategic Panel in place with revised composition, together with the new Code Change Committee. The Panel workstreams are intended to progress key priorities, without requiring full Panel involvement.
	19.	Sub-committees need reviewing in light of better alignment on Panel purpose. Their purpose should be directly linked to Panel purpose and strategy, with clearer Terms of Reference, more directional and demanding contribution from Panel and more effective reporting on core outputs and progress.	In Progress – Code Change Committee in place. Reviews of the Disputes Committee and the Markey Performance Committee planned.

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Category	No.	Recommendation	Status
Panel Operations	20.	Establish a closer working model with MOSL, with collaboration and alignment of objectives, ensure all Panel Members have clarity on the distinction between Secretariat responsibilities and outputs and those of MOSL.	Complete
	21.	Secure financial planning and analysis support either from MOSL or hire into the Secretariat team.	In Progress – MOSL Finance Team working with Panel.
	22.	Continue to work with MOSL on the annual budgeting process. Initiate a rich dialogue that is included in annual strategy sessions and directly support agreed Panel objectives for the year.	Complete – Process to be agreed at 13 September 2022 meeting. Meeting cadence aligned with MOSL business planning.
	23.	Gain real clarity on cost of MOSL services, cost implications of Panel decisions and build a stronger focus on cost-benefit analysis to help shape and prioritise decisions and impacts.	In Progress – Success measures under development. These matters will also be considered as part of the Change Mechanism Review.
	24.	Continue to push for enhanced performance from MOSL, stronger data & analytics to support decision processes, code proposal analyses and drive continuous improvement to market led code proposals through insistence on pre-set levels of quality.	In Progress – Change Mechanism Review.
	25.	Review the agenda to ensure the most important work takes place up front and not rushed through at the end when energy is also flagging.	Complete – Secretariat work closely with the Chair on each agenda to ensure it is well structured. Feedback invited at the end of each meeting on any effectiveness learnings.
Meetings	26.	Assume material is read – at every meeting, avoid the trotting out of papers and presentations designed as for info, focus on making decisions and rich strategic debate instead of supervision.	Complete – Approach agreed by Strategic Panel and guidance given to presenters. Time allocated in agenda to meeting reflections/ effectiveness. Presenters also attend a “rehearsal” before each meeting to ensure messages are clear and concise.
	27.	Agree meeting protocols: attend meetings with cameras on, establish rules on use of chat bar and clarify allowable contributions of observers.	Complete
	28.	Active Chairing likely required to enable Members to bring both independent and industry views into the room in a way that protects independence of Members.	Complete

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	29.	Ensure that the culture of the Panel allows colleagues to operate in a “safe space” where challenge is appropriate and no single party or group is driving its own agenda too hard. Strive for valid contribution from all Members over the course of a meeting and consciously protect the issue of independence in the room, at both group and individual levels. Consider the benefit of regular Chair feedback on contributions to meetings in this regard.	Complete – Conflicts of interest policies in place.
Decision-Making	30.	Consider implementing a more rigid decision-making framework. Look to the regulatory “decision-making process” approach for inspiration in this. Adhere to the process come what may.	In Progress – Change Mechanism Review.
	31.	Send any change proposals back that do not meet the expected standards. Do this consistently and without fail, explaining why the proposal has not made it through. This will drive both market participants and MOSL toward better evidence and in time generate higher quality proposals. This will materially impact workload and efficiency.	In Progress – Change Mechanism Review.
	32.	Keep under review the new voting mechanism and agree new arrangements that address the issue of abstentions and the potential for proposals to pass with a majority of abstentions.	Complete – New Strategic Panel has an appropriate voting mechanism in place. This action primarily related to Code Changes, and so is addressed within the new Code Change Committee governance.
	33.	Build a triage mechanism to protect Panel time, enable focus on the most important proposals and to prioritise recommendations that flow through to OFWAT to avoid undue logjams and delays. Work with industry to establish this framework.	In Progress – Change Mechanism Review.
	34.	Panel is well positioned to take the lead in unravelling the more strategic challenges in the market. It could be leading the development of strategic change proposals that have considerable positive market impact and support agreed	In Progress – Strategic Priorities and areas of focus (work programmes) identified. Roadmaps in development and Change Mechanism Review.

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		market priorities. Be more ambitious in developing your own change proposals.	
	35.	Active management of perceived and actual conflicts of interest is also an exercise in managing perceptions and reputation, Panel should pay more attention to this in our opinion.	Complete – Conflicts of interest policies in place both for Panel and its Committees.
	36.	Panel could be better at communicating outcomes and the reason it arrived at its conclusions, management of proposers as customers is important for transparency, market learning and driving up the quality of proposals.	Complete – Engagement Plan in place including Round Tables and Open Forum.
Panel Development	37.	A Panel development plan should be created that enables the Panel to continuously enhance its own performance. A cadre of the Panel and/or Secretariat will need to take accountability for driving its development and implementation.	In Progress – Success metrics workstream. Secretariat to develop ongoing development plan.
	38.	Chair is developing an annual round of Panel review, as well as ongoing feedback for Members to encourage the right behaviours and levels of contributions.	Outstanding – Secretariat to facilitate annual Member reviews.
	39.	Once purpose is established design Panel KPIs for its own performance, e.g. time taken to process change proposals, market and customer impacts of decisions, annual stakeholder survey results (independently delivered), volume of proposals sitting with OFWAT and so on.	In Progress – Success metrics under development.
	40.	Find ways of further assuring the independence of Members, some unconscious bias training for example may help market impressions of independence.	Outstanding – Secretariat to action as part of training plan.
	41.	Keep one eye on training requirements to fill in any skills gaps for both Panel overall and individuals who need help with performance.	Outstanding – Secretariat to action as part of training plan, including development of a skills matrix
	42.	Consider the use of “buddies” for newly appointed Members, a fuller on-boarding process and the development of a “Member Handbook” that articulates	In Progress – Secretariat to mature on-boarding/ induction process. This is in the team’s objectives and is being progressed.

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		things like purpose, role responsibilities, codes of conduct, terms of reference for the Panel and sub-committees etc...	