

Independent Chair: **Richard Lacey**

c/o **Bournemouth Water Ltd**

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BOURNEMOUTH WATER CUSTOMER VIEW GROUP ANNUAL REPORT (PR14 Year 2)

EXECUTIVE SUMMARY

This report gives a comprehensive overview of year 2 PR14 (2016/17), reporting period. The chief role of CVg is to monitor, and if necessary challenge the Company (BW) on the delivery of its PR14 performance targets as set by Ofwat at the PR14 review. To this end CVg has received assurance from the Independent External Technical Auditor CH2M. Graham Hindley, CH2M Independent Technical Assurance Director, the external reporter attended a CVg meeting.

The merger of BW into South West Water (SWW) has settled and is broadly complete, but as recommended by the Competition and Mergers Authority, the companies (BW and SWW) are reporting separately for the PR14 reporting period until March 2020. This view has been encompassed by Ofwat, and a commitment given to CVg by way of a meeting minute. It is of course an Ofwat requirement that a PR14 delivery group (CVg) was set up.

It is a compliment to both companies and staff that the merger has gone smoothly with no discernible detriment to customer service. Well done.

Inevitably there has been a realignment of staff from BW into SWW, chiefly back office functions, the only target that has suffered is a reputational target, with respect to 'Days served in the Community'. It might be right to reset that target but BW, to its credit, do not wish to do that. CVG accept that. This means that a local charity of choice of CVg will benefit to the extent of £100 per day for any shortfall in meeting the target.

The targeted reduction in energy consumption for water delivery has not been met, though new pumps have been installed at Alderney. The company is addressing this. All other ODI targets have been met, or exceeded.

The company has been open and transparent in giving CVg any information or data that it required.

The Chair of CVg now sits on the SWW Water Future Customer Panel (considering the PR19 Business plan) to ensure customers of BW, as the 'minnow' of the merger, are not disadvantaged going forward.

The Vice Chair of CVg also sits on the Research, Engagement and Vulnerability sub group for customer consultation on PR19 matters.

The Local Customer Advocate of CCWater sits on the Legislative, Resilience and Environmental Investment sub group for customer consultation on PR19 matters

A highlight mention in the year 1 review was that SWW were working on introducing a Social Tariff in the BW area. This has now been implemented. BW was one of only two companies in the country not to have a Social Tariff. This is good news.

A Challenge Diary has been created (appendix 2), most challenges have been resolved by the Company and the rest are being progressed.

Again I thank my Vice Chair for his help and support during the year, and all members of CVg, both 'regulatory' and 'customer' who give of their time freely for evening meets. I also thank the staff of both BW and SWW for their courtesy.

Independent Chair's Statement

As Independent Chair, I am satisfied that BW (SWW) are fully committed to the customer representation and consultation within the PR14 period and going forwards. The analysis of performance for year 2 of the PR14 period has been robustly audited and certified by the Independent Technical Auditor who attended the July 19 2017 meeting of CVg and responded to members' questions.

CVg have discussed and agreed this report.

**Richard D J Lacey
August 2017**

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Appendix 1: CVg Terms of Reference (click [here](#))

Appendix 2: Challenge Diary (click [here](#))

1.0 MEMBERSHIP OF CVG

Whilst the core membership has remained, and the balance of 'regulatory' members and 'customer' members remain, inevitably there have been some changes to membership of CVg.

- Due to local government restructuring the members representing both Bournemouth Borough Council and New Forest District Council have withdrawn
- One customer representative resigned for personal reasons
- One of the 2 Citizens Advice representatives withdrew due to work pressures

CVg still retains a good balance

- A domestic customer member
- 2 business customer members
- Bournemouth University customer member
- Citizens Advice customer member

CVg also retains representatives from

- Environment Agency
- Natural England
- Consumer Council for Water (2 members)
- There is continuity in both the Chair and Vice Chair

As the merger of SWW and BW consolidates further and the move to 'one company' reporting occurs (April 2020) it is inevitable that SWW want to rationalise its committee reporting structure. They currently have 5 committees looking at PR19 (3) and PR14 (2). Discussions are in hand to rationalise all meetings to one day, but this would mean customer members having to travel c 160 miles and have daytime meetings, which most cannot accommodate with their 'day jobs'.

Agreement has been reached that the 'regulatory' members (most of whom are common to both PR19 and PR14 Committees, will meet on the same day in Exeter. Additionally a meeting of 'customer' members will take place, as currently, in Bournemouth in the early evenings. Members of CVG were keen to retain the customer representation element. A resolution was passed at CVg to emphasise this.

CVg retain the Executive Director link at both meetings, but as reported last year CVg lost its non-executive link when the BW board was disbanded shortly after the merger. This has not proved an issue, due to the professionalism of the Executive Director.

2.0 GOVERNANCE OF CVG

The ToR of CVg is attached at Appendix 1, and remains active.

As explained in section 1.0 there have been changes to membership, but as Independent Chair I am satisfied this has not materially affected the make up or balance of CVg, providing the key customer lay member link is retained.

I have reviewed the ToR and decided that, in an evolving merger situation, that that no great purpose would be served in pedantic updating. The key issue is delivery of PR14 targets and customer service, which I am satisfied as Independent Chair has not been compromised.

CVg still retains access to the External Independent Auditor (used) and External Financial Auditor (not used). The chair of CVg could access the main board of SWW should it be necessary.

3.0 PARTICIPATION

CVg met 4 times during the year 2 (of PR14) reporting period

- April 28, 2016
- July 7, 2016
- October 5, 2016
- January 18, 2017

Additionally either the Chair or Vice Chair (of CVg) have attended some meetings with Ofwat and CCWater but these have largely dropped away now as the emphasis turns to PR19 and the Chair of SWW Water Future Customer Panel attends such meetings.

Both the Chair and Vice Chair (of CVg) have observed some customer research meetings for PR19, run by external consultants.

All members have contributed to discussion and debate, CVg receives presentations from Company representatives on a regular basis, updating performance, and can call for papers as necessary.

We have received presentation input also from CCWater, and the Environment Agency.

Responses and replies to questions by CVg to SWW staff have been prompt. Staff attending CVg include

- Operations Director of Drinking Water Services (formerly MD of BW)
- Regulation Director

- Head of Regulation and Customer Relations
- Customer Service Director
- Senior Regulation Manager (formerly Regulation Manager BW)

4.0 CHALLENGE VERIFICATION AND ASSURANCES

All meetings are minuted and the minutes are posted on the Company website. The Company provides a secretariat service to CVg.

The Challenge Diary is attached at Appendix 2 ([click here](#)), the contents of which are self-explanatory.

Key topics discussed at CVg include

- The Company has met all of its ODI targets, or is on schedule to do so by the end of the reporting period. Clearly Company performance is high on CVg priorities.
- SIM targets are back on track targeting a score of 86.5 for 2017/18
- Two reputational targets have not been met:
 - Energy used per MI water delivered - new pumps installed have not performed as anticipated. The Company are addressing this and on 19 July 2017 the independent technical auditors CH2M confirmed that they have assessed BW as still on target to reach the 2020 target.
 - Days Service in the Community – this is largely due to the effects of the merger and reduction in staff in the BW head office. It is perhaps right to recast this, as the targets were set premerger.
- Work on BW's environmental activities related to its Support a Healthy Natural Water Environment performance commitment is ongoing, with the detailed biodiversity plan nearing completion and the annual report process underway.
- On 18 January 2017 CCWater gave a presentation on its 2015/16 publication 'Comparing Company Performance' and BW fared well in the comparisons laid out in the document:
 - High satisfaction with the company by customers.
 - Introduction of Social Tariff by SWW in BW area, an early win for BW vulnerable customers.
- As more correspondence with customers is by e mail, which in turn generates more contacts, written complaints (including Billing) have become a vexed issue in all companies. However there has been a marked improvement between 2015/16 and

2016/17 and the table below shows the reduction in overall household complaints to the company.

Household customers	2015/16	2016/17	Variance
Total complaints	592	407	-31.3%

- BW experienced a large increase in complaints in 2015/16. This is now reducing and de-minimus BW complaints are now the third lowest in the water only sector.
 - BW have worked hard to ensure that the root causes of billing and charging complaints have been addressed, and these fell by 26% from 371 to 273 between 2015/16 and 2016/17. A new billing system just about at the time of the merger has been by far the biggest driver of these complaints.
 - CCWater have a separate initiative running with BW (SWW) re Billing complaints and report 'an excellent complaint resolution procedure has been put in place'
 - In addition, unwanted telephone contacts have reduced by 19%.
 - BW has the second lowest leakage of any water only company. Pressure management is reaping rewards.
 - BW has almost 100% compliance with Drinking Water Quality.
- Visible leak responses and repairs are on target and improving.
- A benefit of the merger is that SWW have expanded their customer tracking surveys to include BW, which is a first for BW. Customer Tracking Surveys over several quarters show a consistent very high level of customer satisfaction:
 - Above industry average in customer satisfaction.
 - Above industry average in Value for Money.
 - Charges are affordable, as agreed by customers, which is 7 percentage points above industry average.
 - Trust in BW is around industry average.
 - 90% customers feel they get about the right amount of information from the company, but prefer by papers in the bill, not on website! However given how little time most customers spend reading their bills, this information does not necessarily suggest that this is the way to better communications.

CVg has considered the BW Draft Assurance plan, together with the Risks, Strengths and Weaknesses statement and approved both.

CVg continues to monitor the opening of the Non Household market, and whilst the market opening on April 1 2017, falls outside this reporting period, early indications (by CCWater) suggest a smooth transition.

Section 5.0 provides detailed performance figures. It is worth remembering that benefit savings for customers can only be taken at the end of reporting period (not in term as with SWW).

5.0 ODI PERFORMANCE YEAR 2 PR14 (2016/17)

Performance Commitments

ODIs with Direct Financial Impacts



Measure	Forecast GAR	2015/16 actual	Final Perf	16/17 Target	2020 Target	Comments
Water quality customer contacts – taste, odour and appearance (nr/1000 population)		0.73	0.89	1.24	1.23	Measured over calendar year
Water quality – mean zonal compliance (%)		100	99.98	99.97	100	Measured over calendar year
Reduce leakage (MI/d)		19.6	19.0	20.0	20.0	
Reduce the risk of large scale interruptions		0	0	0	12	Measured as /1000 properties
Decrease the average length of supply interruptions > 3 hours (mins/property)		2.5	1.94	4.4	4.4	
Maintain serviceable assets		Stable	Stable	Stable	Stable	Measured against Ofwat's serviceability reference levels and control limits
Metering programme (nbr)		2,553	4,647	3,720	9,300	Continue current strategy

Performance Commitments

ODIs with Direct Financial Impacts



Measure	Forecast GAR	2015/16 actual	Final Perf	16/17 Target	2020 Target	Comments
% of visible leaks repaired within 7 days		79.2	80.0	80.0	85.0	
Retail						
Service Incentive Mechanism (SIM)		86.2	86.3	86.5	89	
New Customer Relationship Management system (£m)		0.336	0.347	0.472	1.18 total	Measures the delivery and depreciation rate of the new system. The delivery target of 31 January 2015 was met. On track to achieve 2020 performance.

Performance Commitments
Reputational ODIs



Measure	Forecast GAR	2015/16 actual	Final Perf	16/17 Target	2020 Target	Comments
Reduce per capita consumption to 140 litres/head/day by March 2020		133	144	141	140	Movement due to changes in classification due to market opening and some methodology alignment
Reduce energy used in water delivery (nr kWh/MI water)		589	650	575	530	Impacted by correction to reporting criteria and new pumps not performing as anticipated
Help support a healthy natural water environment		Annual report	Met	Annual report	Annual report	Final report on the environment shared with Natural England. Management plan to be presented to NE by end of April 2017
Contribute to our community (days)		202	80	121	175	Educational visits to schools and working days for volunteer and charity work
Retail						
Fair customer bills		4	3	4	4	Efficient debt management: % of average bill

6.0 INTERFACE WITH OFWAT

Whilst both the Chair and Vice Chair attended several early meetings within the PR14 reporting period with both Ofwat and CCWater, this has dropped away as the emphasis moves to the PR19 review and any meetings are normally attended by the Chair of the Water Future Customer Panel

Richard D J Lacey
Independent Chair BW CVg
August 2017

Appendix 1 BW CVg Terms of Reference ([click here](#))

Appendix 2 BW CVg challenge Diary ([click here](#))