

# Customer View

Keeping customers at the heart of the company

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c/o **Bournemouth Water Ltd**

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## BOURNEMOUTH WATER CUSTOMER VIEW GROUP

### ANNUAL REPORT – 2017-18

#### PR14 (Year 3)

#### EXECUTIVE SUMMARY

This report provides a comprehensive overview of the year 3 PR14 (2017/18) reporting period.

The primary role of the Bournemouth Water Customer View Group (CVG) is to monitor, and if necessary, challenge the Company on the delivery of its PR14 performance targets as set by Ofwat at the PR14 review. CVG has received assurance from the company's appointed independent Technical Auditor, Jacobs/CH2M, who attended the CVG meeting in May 2018 to report on company performance against these targets to date.

The merger of Bournemouth Water (BW) operations into South West Water (SWW) has now been fully embedded, with the CVG noting that both BW and SWW customers are benefitting from the sharing of best practice and increased efficiency as a result. Indeed, both BW and SWW have achieved their best ever SIM<sup>1</sup> performance over this period. As per the recommendation of the Competitions and Markets Authority (CMA), performance for both companies will be reported separately for the PR14 period up to March 2020, which is echoed by commitment made by the company to retain the CVG for this period.

Inevitably, in order to effectively merge operational functions there has been a realignment of staff from BW into SWW, predominantly in back office functions. As a result, the only target that has suffered is a reputational one, with respect to "days served in the community". The company, to its credit, did not want to reset this target which the CVG accept, and instead will donate £100 per day, for each day of the target not achieved. The CVG have been asked to consider appropriate charities for this donation which will be applied at the end of the PR14 reporting period.

The only other reputational target "safeguarding the water environment" is now back on target. This target is closely monitored by Natural England and an action plan is in place and being implemented, as verified by Jacobs/CH2M. This measure only has a 5 year target.

The CVG are pleased to confirm that the company has now recovered the previous shortfall in the targeted reduction in energy consumption regarding water delivery, largely due to new pumps installed at Alderney Water Treatment Works. There has been a slight blip in performance regarding the repair of visible leaks, which the company have attributed to the recent freeze, aptly named the 'Beast from the East', coupled

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<sup>1</sup> SIM (Service Incentive Mechanism) is Ofwat's measure of customer satisfaction across the industry.

with a decline in the supply of suitably skilled staff to carry out repairs in the outsourced contractor, although the Technical Auditor regards this as minor and is now back on track.

The Technical Auditor has assured the CVG that all other targets have been met or are on schedule to do so by the end of the PR14 reporting period.

The CVG would like to formally recognise the level of openness and transparency from the company in providing the CVG with any information or data that it required.

The Chair of the CVG now sits on the SWW WaterFuture Customer Panel (WFCP), tasked with scrutinising and challenging the development of the company's business plan for 2020-2025, to ensure that fair representation and consideration is given to Bournemouth Water customers throughout. The Vice Chair of CVG also sits on the Research, Engagement and Vulnerability sub group of the WFCP which is tasked with advising and challenging the company on their research and engagement plans and activities. The Local Customer Advocate for the Consumer Council for Water (CCWater) sits on both the CVG and the Legislative, Resilience and Environmental Investment sub group, whose role it is to advise and challenge the company on the development of its investment programme.

The social tariff introduced in BW in 2017 area is embedding well, with almost 1000 customers now paying via the Watercare and Watersure tariffs, and is further supported by the company's funding for a 'Water Guru' with Poole and Bournemouth Citizens Advice to assist in advising cases of hardship for underprivileged customers.

A challenge diary has been created and is included as Appendix 1 to comprehensively record the challenges raised by the CVG. The challenge diary is reviewed and updated at each meeting with the majority of challenges now resolved by the company, and the remainder being progressed. CVG would like to note the responsiveness of the company in responding to the challenges raised by the CVG.

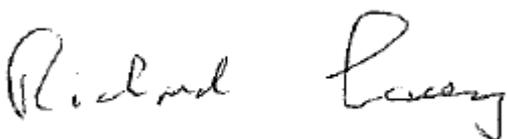
Again I would like to thank my Vice Chair for his help and support during the year, and all members of CVG, both "institutional" and "lay" who give of their time freely for evening meetings. I also thank the staff of both BW and SWW for their courtesy.

This report has been approved by the Customer View Group.

#### **Statement from the CVG Independent Chair**

*As the CVG Independent Chair, I am satisfied that the company are fully committed to the customer representation and consultation within the PR14 reporting period and going forwards. The analysis of performance for year 3 of the PR14 period has been robustly audited and certified by the Independent Technical Auditor (Jacobs CH2M), who attended the May 31 2018 meet of CVG and responded to members questions.*

*CVG have discussed and agreed this report.*



**Richard D J Lacey**

July 2018

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**Appendix 1:** Challenge Diary

**Appendix 2:** Terms of reference for CVG

## 1. Membership of CVG

Membership in 2017 / 18 has remained the same, with strong attendance by all members.

CVG still retains a good balance of members, as detailed below:

- One domestic customer lay member
- Two business customer lay members
- One Bournemouth University lay member
- One CAB lay member

CVG also retains representatives from:

- Environment Agency
- Natural England
- Consumer Council for Water (two members)

In addition, there has been continuity in both the Chair and Vice Chair.

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

The chair of CVG meets occasionally with the Managing Director of SWW and CEO of the Pennon Group, as part of attending the WaterFuture Customer Panel meetings.

## 2. Governance of CVG

The Terms of Reference for CVG is included as Appendix 2 for ease of reference.

CVG still retains access to the external independent Technical Auditor, Jacobs/CH2M (used) and the External Financial Auditor (not used). The chair of CVG could access the main board of SWW should it be necessary.

## 3. Participation

CVG has met 4 times during 2017 / 18

- 19 April 2017
- 19 July 2017
- 18 October 2017
- 8 February 2018

At the CVG meeting on 31 May 2018, the independent external Technical Auditor attended to verify company performance. A copy of the Technical Auditor's report is shown in section 5.

Both the Chair and Vice Chair have attended (in an observational capacity) customer focus groups as part of the PR19 customer research and engagement programme, facilitated by external consultants.

CVG receives presentations from Company representatives on a regular basis, and all members have contributed to discussion and debate. CVG has also received presentations and updates from CCW, Natural England and the Environment Agency.

Responses and replies to questions by CVG to SWW staff have been prompt, and staff attending CVG include:

- Operations Director of Drinking Water Services (formerly MD of BW)
- Regulatory Director
- Customer Service Director
- Head of Customer Relations
- Senior Regulation Manager

#### 4. Challenge, Verification and Assurance

Comprehensive minutes are captured for all meetings and following approval from the Chair at the subsequent meeting are then published on the company website. The CVG Annual report is also published on the website.

The Challenge Log, referenced previously is attached at Appendix 1, the contents of which are self-explanatory.

#### 5. Company Performance

The company remains on track to meet all of its ODI by 2020.

Company performance has been discussed extensively by CVG and is summarised below:

In 2017/18 there has been a slight blip on 'repair of visible leaks' target, as summarised below:

- Repair figure in 2014/15: **77%**
- Repair figure in 2016/17: **80%**
- Repair figure in 2017/18: **62.4%**
- Repair target in 2019/20: **85%**

The company relate this blip in performance to the freezing conditions from the aptly named "Beast from the East" in March 2018 coupled with a lack of suitably skilled resources to carry out repair. The Technical Auditor has looked into this and confirmed that this was a minor blip and is now back on target. All other targets have been met or are on schedule to be met by the end of the report period in 2019/20.

Key areas to note include;

- Best ever SIM performance, with a score of 88%, increased from 86.3% in 2016/17
- Energy consumption per Mg/L water delivered is now on target. This is a 5 year rolling target
- 1 Reputational target has not yet been met. This relates to the target on the number of days spent in the community, and is largely due to the effects of the merger and the reduction in the number of back office staff based in the BW office. It is perhaps right to recast this, as the targets were set pre-merger, however, the company wish to stand by the target and have committed to paying £100 per day of the target missed to a charity of the CVG's choice. However, voluntarily the company are funding a "Water Guru" in the Poole and Bournemouth Citizens Advice office which is an additional commitment. Initially trialled for six months it has been very successful and as such will be continued.
- The only other reputational target in danger of slipping was "safeguarding the Water Environment", but a lot of work between Natural England and the company to get this back on target. The key

issue was a lack of baseline survey in year 1 of PR14, a casualty of the merger, however, a plan is now in place and work in progress to implement the plan which has been verified by the Technical Auditor.

- Though not a PR14 target it is worth recording the SWW and BW performance over the recent “Beast from the East”, despite red weather warnings in the SWW region, was exemplary, with CVG not aware of any serious customer impact in the BW region. In the SWW area CVG understand that there were regular communication updates, the repair by the company of customer pipework with leaks identified and timely compensation paid by cheque provided to all impacted customers, including those in arrears.

Detailed performance figures are included in section 5.

Through papers presented to, and debated by, CVG, the following highlights are provided:

- High satisfaction with the company by customers
  - 40.1% reduction in written complaints<sup>2</sup>
  - 78.6% reduction in escalated complaints
  - 47.8% reduction in written complaints relating to billing and charges<sup>3</sup>
  - 46.4% complaints cases closed by telephone
  - 1.3% less unwanted contacts made
  - No CCW investigations received
  - Only 3 escalated complaints in the whole year
- Continued embedding of the social tariff introduced in the BW area, which was an early win for BW customers struggling with affordability
- Debt forecast remains on target to be achieved and BW remains upper quartile for leakage of any water only company
- BW is also upper quartile for daily water usage, per person per day, of Water only companies
- BW has almost 100% drinking water quality compliance at 99.98%

It is worth noting that benefit savings for customers can only be taken at the end of the reporting period and not in-period as with SWW.

A further benefit of the merger is that SWW have expanded their customer tracking surveys to include BW, a first for BW. Customer tracking surveys over several quarters show a very high level of customer satisfaction, as shown below:

- 97% felt the service was reliable
- 83% felt the service was good value for money (a rising trend)

Whilst not in the CVG remit per se, following the opening of the Non Household (NHH) water market CVG have had a presentation by Pennon Water Services and as such understand the migration has been smooth if relatively modest.

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<sup>2</sup> Complaints have been reduced considerably in BW, following an early spike in the reporting period (after introduction of a new billing system prior to the merger).

<sup>3</sup> BW has worked hard to ensure billing complaints and the root causes have been addressed, resulting in a 47.5% reduction in written billing complaints and a 10.4% reduction in unwanted billing contacts, and an improved SIM customer experience survey score of 4.41, increased from 4.37 in 2016/17.

## 6. ODI Performance year 3 PR14 (2017/18)

As a general comment it has been a good year for BW and they have served their customers well.

It is worth noting the comment from the Technical Auditor’s report to the Board of SWW, as provided below:

*“The integration of BW into SWW has benefited the company where good practice from the former independent companies have been applied across the region. For example;*

- *SWW has aligned BW’s written complaints process to SWW by introducing SWW’s established proactive processes to contact customers who have made a written complaint to resolve the matter*
- *SWW has recognised the benefit that BW’s network models has provided and has progressed building them for its network”*

An extract from the 2017/18 audit report is included below:

ODI	Methodology documented, compliant with internal reporting requirements assumptions reasonable	Methodology appropriately applied	Confirm the position at 31 March 2018	Resultant data reasonably aligned to other reported information	Definitions of performance commitments & ODIs in 2014 FD followed	Additional observations	On target at 31 March 2018?	On target for end of AMP?
Maintain low levels of customer contacts (taste & appearance)								
Compliance with Water Quality standard (Mean Zonal Compliance)							 Calendar year	 Calendar year
Reduce leakage								
Reduce the risk of large scale interruptions							N/A	
Decrease average interruptions >3 hours								
Maintain serviceable assets								
Metering – continue current metering strategy							N/A	
Reduce per capita consumption							N/A	

ODI	Methodology documented, compliant with internal reporting requirements assumptions reasonable	Methodology appropriately applied	Confirm the position at 31 March 2018	Resultant data reasonably aligned to other reported information	Definitions of performance commitments & ODIs in 2014 FD followed	Additional observations	On target at 31 March 2018?	On target for end of AMP?
Repair visible leaks (within 7 days)							N/A	
Service Incentive Mechanism								
Reduce energy used in water delivery							N/A	
Help support a healthy natural water environment								
Contribute to the community							N/A	

## 7. Interface with Ofwat

Whilst both the Chair and Vice Chair attended several early meetings with both Ofwat and the Consumer Council for Water, this has dropped away as the emphasis moves to the PR19 review and these meetings are normally attended by the Chair of the WaterFuture Customer Panel.

**Appendix 1:** Challenge Diary (click [here](#))

**Appendix 2:** Terms of reference CVG (click [here](#))