

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 – 2018-19

PR14 (Year 4)

EXECUTIVE SUMMARY

This report gives a comprehensive overview of the year four PR14 (2018/19) reporting period; this is the penultimate report.

The primary role of the 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, the economic regulator for the water and sewerage industry, at the PR14 review. To this end CVG has also received assurance from the Company's appointed independent Technical Auditor, Jacobs, who attended the CVG meeting in May 2018 to report on the Company's performance to date.

The merger of Bournemouth Water (BW) into South West Water (SWW) has settled and is complete, but as recommended by the Competition and Markets Authority, the Company is reporting separately for the PR14 reporting period until March 2020.

It is a compliment to both companies and staff that the merger has gone smoothly with no discernible detriment to customer service. Inevitably, in order to effectively merge operational functions there has been a realignment of staff from BW into SWW, predominantly back office functions. The only business plan target that has suffered as a result is a reputational one, with respect to "days served in the community". Resetting this target was an option but to its credit the company have decided to honour the target by way of donating to charity a sum of £100 per day for every day which they fall short of the target, which the CVG accept. The recipients of the donation will be decided by CVG, and while the amount will be finalised at the end of the PR14 period, it is expected to be substantial.

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.

All financial measures with in-period targets were achieved. The CVG are pleased to note that except for "days served in the community", the independent Technical Auditor is reporting that all targets are on track to be met by the end of the PR14 reporting period.

Customers will benefit from Company outperformance by enjoying a better service, but any possible sharing of “reward” (if earned) will be explored by CVG with the Company, perhaps through the “WaterShare+” mechanism or adjustment to a future tariff. It is too early to quantify this benefit until the end of the PR14 reporting period.

The targeted reduction in Energy consumption re water delivery is now on target, despite being behind at the end of year 3, largely due to additional costs associated with the exceptionally hot and dry summer last year. However, CVG have noted that if the summer of 2019 is drier than average, then the Company may incur higher costs (for example with additional use of pumping around the network). The Company will need to carefully monitor this aspect.

The repair of visible leaks has improved in 2018/19 and stands at 74%. The end of period target is 85%; again, the company will need to monitor this carefully

Jacobs independent Technical Auditor classified this as a “non-material observation” (suggested opportunity for improvement)

In **Section 5** there is an extract from the Jacobs report using “traffic lights” as regards all targets

The Company has been open and transparent in giving CVG 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 BW customers throughout

I am satisfied that BW customers are given equal consideration as regards service levels and investment. The Company’s business plan has been submitted to Ofwat as part of the PR19 process, and has been awarded “fast-track” status, the only company to receive successive statuses of this kind. A particular highlight for the 2020-25 business plan are the two major investments in the BW area, for treatment plants at Alderney and Knapp Mill.

The Vice Chair of CVG sat on the WFCP research group, for customer consultation on PR19 matters, and the BW CCW Local Consumer Advocate a member of the Legislative Resilience and Environmental Investment sub-group, thus ensuring that BW customers are represented and their views fully considered.

The social tariff introduced for the BW area is working well, and the Company is continuing to fund a “Water Guru” in the Poole and Bournemouth CAB offices, to assist in advising cases of hardship for underprivileged customers.

A challenge diary has been created and maintained, (**Appendix 1**). Most challenges have been resolved by the Company and the rest are being progressed. The company has been responsive to all such challenges.

Once again, I 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.

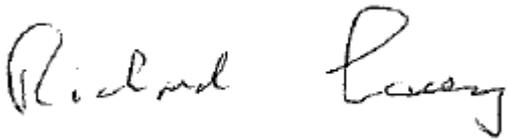
I also thank the staff of the Company for their courtesy.

This report has been approved by the CVG group

Statement from the CVG Independent Chair

As Independent Chair, I am satisfied that the company are fully committed to the customer representation and consultation within the PR14 period and going forwards. The analysis of performance for year four of the PR14 period has been robustly audited and certified by the independent Technical Auditor (Jacobs), who attended the May 2019 meeting of CVG and responded to members' questions.

CVG have discussed and agreed this report.



Richard D J Lacey

July 2019

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1. Membership of CVG

Membership 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 an Executive Director link at meets, 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 MD of SWW and CEO of the Pennon Group, as part of attending the WaterFuture Customer Panel Meetings.

Company attendance has been strong although we have seen some changes

- Secretariat support has been changed, due to internal promotion.
- The Director of Regulation has changed, due to internal promotion.
- Finally, on a very sad note the MD of SWW recently died after a short illness. CVG extend their respects to his family.

2. Governance of CVG

There has been no change to the original Terms of Reference for Governance of CVG; the Terms of Reference are linked under Appendix 2 for ease of reference.

CVG still retains access to the independent Technical Auditor, Jacobs (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 three times during year four of the PR14 reporting period

- May 31 2018
- October 18 2018
- December 13 2018

At a CVG meet on May 28 2019 (post the end of year four) the independent Technical Auditor (Jacobs) attended to verify Company performance. A copy of the independent Technical Auditor's report is shown in section 5.

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, and which have been of a high standard.

CVG has also received presentations, updates and input 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:

- Regulatory Director (now Operations Director – Drinking Water Services)
- Head of Regulation and Customer Relations (now Regulatory Director)
- Customer Service Director
- 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 is attached at Appendix 1, the contents of which are self-explanatory.

Key topics discussed at CVG include

- Clearly Company performance is high on the priorities; CVG note the Company forecasts achievement of all ODI targets by PR14 period end, with the exception of “days served in the community”
- Customers will benefit from Company outperformance by enjoying a better service, but any possible sharing of “reward” (if earned) will be explored by CVG with the Company, perhaps through the “WaterShare+” mechanism or adjustment to a future tariff. It is too early to quantify this benefit until the end of the PR14 reporting period.
- There have been variations on the actual performance against target for the “repair of visible leaks”
 - Repair figure at start of period was 77% (2014/15)
 - Repair figure 2016/17 was 80%
 - Repair figure 2017/18 was 62.4% (largely due to the so called “Beast from the East” (see year 3 report))
 - Repair figure 2018/19 is 74%
 - End of period target is 85% The Company will need to carefully monitor this to ensure end of term compliance
- All other targets are met or on schedule to do so by the end of the reporting period. This has been assured by the external Technical Auditor.
 - SIM score of 87.6 (end of period target is 89), though Ofwat will replace the measure to pilot “C-Mex” in year five.
 - Energy consumption per megalitre (ML) water delivered is now on target. This is a five-year rolling target. But if there is a dry Summer in 2019, and the production or distribution of water is more expensive (in energy terms), then the company will need to monitor this carefully.
- One Reputational target has not been met

- Days served in the Community. This is largely due to the effects of the merger and reduction in back office staff in the BW head office. It was perhaps right to recast this, as the targets were set pre-merger. However, the company wish to stand by the target and meet the costs of a penalty (£100 per day, which could be in excess of 100 days at the end of the reporting period)
 - The company acknowledge this failure and will make donations to charities that CVG nominate. The final sum will be determined at the end of the period. Jacobs advise that such a payment ensures this target is “met”
 - Life Education Wessex have been assisting the company in outreach regarding this target
 - 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 has now got this back on target.
 - The key issue was a lack of baseline survey in year one of PR14, (a casualty of the merger.)
 - A plan is now in place, updated annually and work is well in progress to implement this plan.
 - *This has been verified by the independent Technical Auditor and is subject to the Company meeting with Natural England to check they are happy with progress to date and fine tune to final year five activities.*
 - *This meeting has now taken place and subject to some site visits, Natural England have expressed at CVG they:*
 - *Are comfortable with the programme*
 - *Commend the timely submission of the plan document to achieve target at period end*
 - **Note section 5 following for detailed performance figures**
 - Papers presented to CVG by the Company highlight (such papers are openly debated at CVG meetings) in 2018/19 (year four):
 - High satisfaction with the company by customers
 - 16% reduction in written complaints on 2017/18 (65% reduction since 2015/16)
 - 33% reduction in escalated complaints (two complaints)
 - 24 % reduction in unwanted contacts received
 - No CCW investigations required
 - The company were voluntarily funding a “Water Guru” in the Citizens Advice Bureau offices in Poole/Bournemouth. This commitment has been extended for year five.
 - The company has worked to identify the root causes of billing complaints and work to address them; this being the higher component compared to drinking water complaints.
 - Overall complaints peaked at 592 in 2015/16 and are now 207 in 2018/19
 - BW remains upper quartile of water only companies for leakage.
 - There has been a reduction in mains bursts due to tighter controls and pressure management.
 - Leakage currently stands at 18Mgl per day (2020 target is 20Mgl per day)
 - BW has very high compliance (100% zonal compliance) with Drinking water quality.
 - There have been no coliform failures
- A 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 with little movement.
 - 97% felt the service was reliable
 - An unchanged 83% felt the BW service was value for money

- The Customer Relationship Management System (CE) stands at an unaudited 1.42, the target is 1.18. The figure is still under audit but the company are putting even more effort into Customer Relations, Customer contact and outward facing customer “presence” events (e.g. local agricultural shows) and resolving billing queries, one stop by telephone. CVG will look carefully at this figure as year 5 progresses.
- *Note: any customer benefits can only be assessed and taken at end of period year five*

Whilst the opening of the non-household retail market is not in the CVG remit per se, CVG have received a presentation by Pennon Water Services on this major change. In addition, the opening of the non-household market has been occasionally discussed and we understand customer switching has been smooth if relatively modest.

5. ODI Performance Year 4 PR14 (2018/19)

As a general comment it has been a good year for BW, they have served their customers well. The benefits outlined by Jacobs last year have been built on, and updated by Jacobs this reporting year, as quoted 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 have provided and has progressed building them for its network*
- *Added this year are benefits to:*
 - *Water Supply unplanned Interruptions, substantially reduced. Due to system integration between BW and SWW, benefiting SWW central team monitoring and investigation of supply interruptions.*
 - *Customer Service*
 - *Integration of Billing Systems*
- *Jacobs state that the Serviceability of BW assets is “stable”*

• “RAG” summary - Bournemouth Water region

Key



On or ahead of target



Non-financial ODI below target or Financial ODI within penalty deadband



Financial ODI below target with penalty

ODI	Methodology documented, compliant with internal reporting requirements assumptions reasonable	Methodology appropriately applied	Confirm the position at 31 March 2019	Resultant data reasonably aligned to other reported information	Definitions of performance commitments & ODIs in 2014 FD followed	Additional observations	On target at 31 March 2019?	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	
Repair visible leaks							N/A	

ODI	Methodology documented, compliant with internal reporting requirements assumptions reasonable	Methodology appropriately applied	Confirm the position at 31 March 2019	Resultant data reasonably aligned to other reported information	Definitions of performance commitments & ODIs in 2014 FD followed	Additional observations	On target at 31 March 2019?	On target for end of AMP?
(within 7 days)								
Service Incentive Mechanism								
Reduce energy used in water delivery							N/A	
Help support a healthy natural water environment								
Contribute to the community							N/A	

Richard D J Lacey

Independent Chair BW CVG

July 2019

Appendix 1: CVG Challenge Diary

1	18.1.2017	CVG – item 2	Correct the Balance Email Promotion slide of the CCWater Quarterly Review presentation.	SM	Now obsolete	Closed
2	18.1.2017	CVG – item 2	Place clarification re card payments against 5 October minutes	TL		Closed
3	18.1.2017	CVG – item 4	Circulate CMF draft assurance statement members for comment	IV	Draft assurance plan consultation circulated	Closed
4	18.1.2017	CVG – item 5	Clarify the performance table to ensure that what is meant is clear	TL	Actioned	Closed
5	18.1.2017	CVG – item 8	Add request to provide webchat statistics to Challenge Diary	TL	Challenge 14	Closed
6	18.1.2017	CVG – item 8	Close previous challenges 9 and 11	TL	Closed	Closed
7	18.1.2017	CVG – item 9	Send further information regarding the future management of WFCP, Watershare Panel and Customer View Group.	IV	Closed	Closed
8	19.4.2017	CVG – item 1	MS observed that the minutes did not reflect his request at the previous meeting that the BW report on how the social tariff will be promoted in rural communities. It was agreed to raise as an action and included in future updates on customer-facing activities.	SMi	Covered in SMi paper circulated 21.8.2017	Closed
9	19.4.2017	CVG – item 2	Challenge 2 – communications updates Members requested that the challenge was reopened to ensure that regular communications updates are received.	TL	Reopened	Closed
10	19.4.2017	CVG – item 2	EV requested written confirmation that NE are satisfied with the report and that NE's thoughts align with BW's verbal report at this meeting.	TL / DK	Closed as duplicate of action 39	Closed
11	19.4.2017	CVG – item 3	The final version of the Help Support a Healthy Natural Water	TL	Circulate with papers from	Closed

			Environment report would be provided to members.		19.7.2017 meeting	
12	19.4.2017	CVG – item 3	CVG agreed that BW should revisit the target and KT suggested pro-rating to the level of volunteering per head of staff that existed when the target was originally set.	BT / TL	See minutes from 19.7.2017 – target to remain as agreed at PR14	Closed
13	19.4.2017	CVG – item 4	What arrangements were in place with suppliers of Wessex Water services is a variant on the application form is required.	SMi	Covered in SMi paper circulated 21.8.2017	Closed
14	19.4.2017	CVG – item 4	EV requested more information on the Freshstart fund and how it will be managed. EV requested a summary paper for CVG on how much money is being put in to the Freshstart fund, the principles on which it is being run and how it aligns to the SWW policy.	SMi	Covered in SMi paper circulated 21.8.2017	Closed
15	19.4.2017	CVG – item 4	CVG raised a challenge for BW to analyse and advise why there has been an increase in ‘don’t know’ responses.	SMi	Challenge 15 raised Covered in SMi paper circulated 21.8.2017	Closed
16	19.4.2017	CVG – item 4	How does BW satisfy itself that the 91% actually reflects customer satisfaction with communications and whether information provided is effective and enables the company to reach out to customers and improve communications?	SMi	Challenge 16 raised Covered in SMi paper circulated 21.8.2017	Closed
17	19.4.2017	CVG – item 4	Analyse and report why, when overall complaints have reduced, the number of billing complaints as a proportion of overall complaints to CCW has increased.	JE	Challenge 17 raised Covered in complaints report at 19.7.2017 meeting	Closed
18	19.4.2017	CVG – item 5	Add the CCWater complaint handling and debt management assessment agenda for 19 July.	TL	Agenda item 5 MB and MS unable to attend meeting	Closed

19	19.4.2017	CVG – item 5	As direct debit payers tend to reduce debt levels, the proportion of direct debit payers to BW was in line with other companies. BW to find out and advise members	SMi	Challenge raised	18	Closed
20	19.4.2017	CVG – item 6	CCWater to collate 2 months' of data relating to market opening which could be brought to the 19 July meeting.	MB	Agenda item 8 MB and MS unable to attend meeting		Closed
21	19.4.2017	CVG – item 6	RL asked TL to ask PWS to attend a future meeting to provide assurance to CVG that lesson have been learned from the energy industry.	TL	Closed See 19.7.2017 minutes, item 2		Closed
22	19.4.2017	CVG – item 7	Members agreed that the preferred option was to retain meetings in Bournemouth; however video conferencing should be explored. RL will raise the suggestion with Iain Vosper and report back to members on 19 July.	RL	Agenda item 9		Closed
23	19.4.2017	CVG – item 8	TL to take the comments on the draft Drought Plan back to the Water Resources Team	TL	Paper circulated		Closed
24	19.7.2017	CVG – item 2	Agenda item 8 (CCW presentation on market opening) to carry forward to 18 October meeting	TL	Scheduled for 18.10.17		Closed
25	19.7.2017	CVG – item 2	Pass DK's questions to relevant team	TL	Shared with Environment Team. Action covered as part of action 10.		Closed
26	19.7.2017	CVG – item 2	Check records to ensure DK's address for correspondence is correct	TL	Closed		Closed
27	19.7.2017	CVG – item 2	Produce a summary report covering all actions and challenges	SMi	Circulated 21.8.2017		Closed
28	19.7.2017	CVG – item 3	Circulate summary APR paper with minutes	TL	Circulated 17.8.2017		Closed
29	19.7.2017	CVG – item 3	Feedback any comments on summary APR paper	CVG	Closed		Closed
30	19.7.2017	CVG – item 9	Advise TL or RL if proposed meeting dates are acceptable	CVG	Closed		Closed

31	19.7.2017	CVG – item 9	Investigate whether teleconferencing can be used for regulator input at customer meetings	TL	Closed	Closed
32	18.10.2017	CVG – item 2	Update to be provided on complaints performance, specifically a comparison with 2014/15 volumes, (challenge 17) at CVG meeting on 8 Feb 2018	JE	Update shared at CVG on 8 Feb 2018	Closed
33	18.10.2017	CVG – item 3	Include a review of CCWater ‘addressing customer vulnerability in the water sector 2016-17)	JC	Update shared at CVG on 8 Feb 2018	Closed
34	18.10.2017	CVG – item 4	Confirm why company is forecasting to achieve 99.98% against a target of 100% for the WS (WQ) regulation compliance (mean zonal compliance)	CR	Company is now forecasting to achieve 100%. Water Quality have advised that 99.98% was a forecast based on presumptive sample failure.	Closed
35	08.02.2018	CVG – item 2	CVG to consider causes / charities to receive the community days financial contribution for discussion at next CVG	CVG	Ongoing	Open
36	08.02.2018	CVG – item 3	Confirm the reason for the reduction in PSR customers in Bournemouth	TL	TL confirmed that this was a result of the data cleanse when transferring from Syan to Gentrack	Closed
37	08.02.2018	CVG – item 4	Confirm timing of publishing 2017/18 results to the City in 2018	JC	Annual results will be shared with the City on 25 May 2018	Closed
38	08.02.2018	CVG – item 4	Add a footnote to the ODI performance report to provide a brief explanation of ‘fair customer bills’	JC	Footnote added to ODI report	Closed
39	08.02.2018	CVG – item 5	Provide DK with the combined report for BW ‘supporting a natural water environment’ in May 2018.	SMcG	SMcG has advised DK that this report has been delayed slightly and will be with Natural England in June.	Closed
40	08.02.2018	CVG – item 6	EL to provide a further update on progress of ‘Jane the water guru’ at the next CVG meeting.	EL	Added to agenda for CVG on 31.05.2018. EL provided an update at the	Closed

					meeting on 31.05.2018.	
41	31.05.2018	CVG – item 2	Include CVG charity discussion on agenda for 18.10.2018.	JC	Added to agenda for CVG on 18.10.2018	Closed
42	31.05.2018	CVG – item 4	Include review of Ofwat freeze and thaw report on the agenda for 18.10.2018.	JC	Added to agenda for CVG on 18.10.2018	Closed
43	18.10.18	CVG – item 1	Speak to Alan Hyde on alternative magazines for distribution from May minutes and the feasibility of the continuation of Waterlevel in the BW area	JC	Added to agenda for CVG on 13.12.18	Closed
44	18.10.18	CVG - item 3	MB (CCWater) to present F/T findings from CCWater review	JC	MB to cover under matters arising on 13.12.18	Closed
45	18.10.18	CVG - item 4	Circulate BW individual scores to Panel	JC	Attached to minutes	Closed
46	18.10.18	CVG – item 5	Add community service PC for discussion to agenda on 13.12.18	JC	Added to agenda for CVG on 13.12.18	Closed
47	13.12.18	CVG – item 2	To ensure that Graham Hindley attends May meeting to present report	SWW	GH invited to CVG meeting on 28 th May	Closed
48	13.12.18	CVG – item 3	MB to send EV a copy of CCW's affordability report	MB	Attached to minutes	Closed
49	13.12.18	CVG – item 3	JE to circulate affordability report with the minutes	JE	Attached to minutes	Closed
50	13.12.18	CVG – item 3	JE to investigate whether the EU rules prevent nationalisation at private companies	JE	EU law does not prevent nationalisation as such. There are various forms of 'nationalisation' that would not be touched by the Treaty on the Functioning of the EU (TFEU)	Closed
51	13.12.18	CVG – item 6	JE to investigate the delivery of WaterLevel and whether the PO confirms their delivery as members didn't recall receiving the publication	JE	The PR19 Waterlevel for Bournemouth was sent out in two different ways – 1) to individual households in postcodes covered by both BW, WW or Southern 2) large	Closed

					mailing covering the rest of the postcodes	
52	13.12.18	CVG – item 6	JE to liaise with EL to look at increasing visibility on the website	JE	This action is on hold until a decision is made about the WaterGuru funding	Ongoing
53	13.12.18	CVG – item 6	Members agreed to review the best publications to place adverts in.	SWW	SWW will track initiatives and report back to CVG. Added to May CVG agenda	Open
54	13.12.18	CVG – item 8	All members to advise RL or TL a preliminary list of charities/organisations for donation as part of Community Days Service	ALL	Added as an agenda item to 28 May meeting	Open
55	13.12.18	CVG – item 8	EL to provide contact details for suggested charities	EL	Added as an agenda item to 28 May meeting	Open
56.	13.12.18	CVG – item 9	SWW to send the future meeting dates to all CVG members	SWW	LO sent invites 13.05.19	Closed

Appendix 2: Terms of reference CVG

[Link to Customer View Group Terms of Reference](#)