



Briefing Paper

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NORTHERN IRELAND WATER 6 MONTH INTERIM REPORT OF STRATEGIC BUSINESS PLAN

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This briefing paper considers the 6 Month Interim Report published by Northern Ireland Water in January 2008. It considers Northern Ireland Water's success in terms of achieving its Key Performance Indicators as outlined in its Strategic Business Plan 2007-2010. The paper also identifies a number of issues that Members may wish to consider further.

Research Papers are compiled for the benefit of Members of The Assembly and their personal staff. Authors are available to discuss the contents of these papers with Members and their staff but cannot advise members of the general public.

BACKGROUND

Northern Ireland Water (NIW) published its 6 Month Interim Report of its Strategic Business Plan in January 2008¹. The report details NIW's key achievements over the period 1st April 2007 – 30th September 2007 under the headings of Customers, Cash, Compliance and People and measures its progress against its Key Performance Indicators (KPIs) as laid out in the Strategic Business Plan 2007-2010².

A total of 28 targets have been set which are outlined overleaf. These targets have been identified by Northern Ireland Water as being on target, requiring cause for concern or likely to fail. KPIs which are still under construction have also been identified.

ISSUES FOR CONSIDERATION

1. Members may wish to note that difficulties arise when measuring the progress of NIW in the first six months of operation. Whilst some figures have been provided for 2006/07 and provide a useful comparison, it is important to note that these refer to the former organisation, The Water Service. Therefore, it is difficult to compare performance on a like for like basis. It may be more useful to revisit these figures upon completion of Year 1 and continue to monitor performance in the coming years.
2. Of the 28 KPIs set, NIW identifies 3 that are likely to fail. These include the number of customer billing contacts being dealt with within 5 working days, drinking water quality in terms of percentage compliance with the 2002 Water Supply Regulations and mean zonal compliance (drinking water quality at the tap). Members may wish to inquire as to the reasons for these expected failures and what actions are currently being undertaken and are required to rectify these problems.
3. NIW identifies three further areas that warrant cause for concern. These include the number of bills based on a meter reading expressed as a percentage of all metered households, waste water quality and the number of pollution incidents. Members may wish to inquire as to why there is concern in meeting these targets and the actions currently being pursued to rectify these issues.
4. In total, 8 KPIs are under construction. With regards to the customers category these include telephone contact targets, various sewer flooding targets and pressure levels. Given the significant incidence and media coverage of flooding during this period, Members may wish to inquire further on this issue and seek clarification on the number of properties affected by flooding caused by equipment failure, blockage or collapse of a sewer; or properties considered to be at risk of flooding by sewerage caused by overload, more frequently than once every 10 years.
5. With regards to the cash category, comparative cost efficiencies, capital efficiencies, percentage of bills issued on time and average number of outstanding debtor days require targets to be set. These targets are currently being set in conjunction with the Utility Regulator and Members may wish to inquire as to when these targets will be in place.

¹ For full report follow link:
http://www.niwater.com/siteFiles/resources/niw_performance_jan08.pdf

² For full report follow link:
<http://www.niwater.com/siteFiles/resources/pdf/corporate/SBP0710full.pdf>

6. Page 7 notes that delays in Capital Programmes have occurred due to a focus on areas that deliver higher efficiencies. Whilst this appears to have had a positive impact on some financial targets, what impact will this have on the service provided to customers and compliance levels in the short and long term?
7. Page 11 states that 69 of the 77 Wastewater Treatment works are compliant with the standards set out in the Urban Wastewater Treatment Directive. What measures are in place to bring the remaining 8 works into compliance and when is this expected?
8. Members may wish to seek clarification on how and by whom, these targets were set. Will NIW be subject to any penalties should targets not be achieved?
9. Recognition should also be given to NIW's key positive achievements detailed within the Interim Report.

For customers these include:

- the creation of a customer relation centre with 200 staff;
- employment of an additional contractor to reduce the backlog of customers seeking to use the discretionary septic tank emptying service;
- overhaul of the application process for new connections to the water and sewerage network;
- development of good working relations with the Utility Regulator and the drafting of new Codes of Customer Practice, a Customer Charter and a Complaints Procedure;
- compliance of all 9 EU infracted sites;
- opening of 13 major schemes throughout Northern Ireland;
- laying of 151 kms of watermains and 16 kms of sewers; and
- the award of 8 blue flag beaches.

In terms of cash, key achievements include:

- an exceeded target for operating profit for the first 6 months of business;
- an exceeded target for net profit (due to delays in capital programmes);
- payment of lower interest costs on account of delayed capital programmes (delay due to focus on areas that deliver higher efficiencies);
- delivery of a half year operating profit margin of 24.9%;
- delivery of operating and capital cost efficiencies in the line with respective targets of £44m and £17m by 2009/10; and
- delivery of the 2007/08 capital programme at an improved cost.

In terms of compliance, key achievements include:

- 99.5% of emergency calls answered within 6 hours;
- significant steps forward in achieving leakage reduction;
- significant improvements in wastewater treatment compliance;

In terms of people, key achievements include:

- Launch of the 'One Programme', to encourage improvements in efficiencies and services offered by NIW.

KEY PERFORMANCE INDICATORS

Table 1 below outlines the Key Performance Indicators as contained within NIW's Strategic Business Plan 2007-2010. Actual performance is recorded for the first six months of 2007/08. The figures for 2006/07 have also been recorded for comparison however, it should be noted that these relate to the Water Service. NIW have identified the status of each of these KPIs and these have been colour coded for convenience below.

	On Target
	Cause for Concern
	KPI under development
	Likely to Fail

Table 1: Key Performance Indicators (KPIs) for Northern Ireland Water 1st April 2007 - 30th September 2007

KPI	Actual 2006/07	Actual 2007/08	Target 2007/08	Target 2009/10	Target 2014/15
Customers					
1. Supply Interruptions - % of households experiencing unplanned and unwarned interruptions in excess of:					
6 hours	#	0.55	2	1	0.3
12 hours	0.13	0.06	0.25	0.15	0.1
24 hours	#	0.002	0.03	0.01	nil
2. Written complaints - number of written complaints answered within 10 days as a percentage of total written complaints (%)					
	91.4	90	97.22	98	100
3. Customer billing - number of billing contacts dealt within 5 working days expressed as a percentage of total billing contacts.(%)					
	#	92.18	96	98	100
4. Number of bills based on a meter reading expressed as percentage of total metered accounts (%)					
	#	85.05	95	95	99
5. Ease of telephone contact - customer calls answered during business hours within 30 seconds (%)					
	83.1	93.47.	93	96	98
6. Telephone Contact. Total calls NIW received on customer contact lines, total calls abandoned, and the number of callers unable to connect because all lines were busy.					
	#	Targets not yet set for Northern Ireland Water			
7. Sewer Flooding: Number of properties affected by an incident of internal sewerage flooding caused by overload of a sewer (also termed hydraulic incapacity) excluding those incidents resulting from severe weather					
	#	KPI Target Under Construction			
8. Sewer Flooding: Number of properties affected by an incident of internal sewerage flooding caused by equipment failure in, blockage or collapse of, a sewer					
	#	KPI Target Under Construction			

9. Sewer Flooding: Number of properties considered to be at risk of flooding by sewerage caused by overload, more frequently than once in 10 years.	#		KPI Target Under Construction		
10. Pressure: Number of properties at risk of receiving pressure below reference level of 10 metres head at a flow of 9 litres per minute, expressed as a percentage of total properties.	#		KPI Target Under Construction		
Cash					
11. Leakage - reduction in overall leakage (million litres per day)	168.06	162.9	157	135.5	135.5
12. Operating margin - excluding exceptionals (%)	#	24.9 (Note 2)	25.44	26.34	32.63
13. Comparative operating cost efficiency (figures expressed in £m from a 2003/4 base (note 3))	#	Note 5	29.8	44	55.6*
14. Comparative capital efficiency (expressed as a percentage of total capital expenditure (%))	#	Note 5	2.1	17	19.3*
15. Billing - percentage of bills issued on time	#		KPI Target Under Construction		
16. Average number of debtor days outstanding	#		KPI Target Under Construction		
People					
17. Health and safety - reduction in the number of 'days lost' due to accidents based on the previous three year average of 'days lost'.	650	271	620	5% reduction	5% reduction
18. Health and safety - reduction in the number of 'lost day' accidents based on the previous three year average of 'lost day' accidents	19	10	18	5% reduction	5% reduction
19. Manpower numbers - number of posts	1,744	1,786	1,881	1,412	#
20. Staff Attendance (%)	94.2	95.8	96.5	#	#
21. Staff satisfaction levels - increase in the number of staff saying NIW is a good place to work from 2005/06 result (%)	#	#	20	60	#
Compliance					
22. Drinking Water Quality - percentage compliance with the Water Supply (Water Quality) Regulations (NI) 2002:					
a) taking into account authorised departures	99.66	99.6	99.72	99.81	99.9
b) not taking into account authorised departures	99.42	99.27	99.6	99.8	99.9
23. Mean zonal compliance - water quality at the tap (%)	99.33	99.21	99.44	99.77	99.9
24. Operational Performance Indicator (Turbidity, Iron and Manganese) (%)	99.33	98.99	98.9	99	99.65

25. Wastewater quality (note 1) - Wastewater Treatment Works serving greater than 250 population equivalent achieving compliance with Northern Ireland Water Order Consents expressed as:					
a) percentage of works (%)	84	85.3	84	91	100
b) percentage of population equivalent (%)	76.9	85.63	82.5	94	100
26. Wastewater Treatment Works passing Urban Waste Water Treatment Directive numeric consents (%)					
#		89.61	80.2	92.4	100
27. Pollution incidents (high/medium) - reduction in the number of pollution incidents attributed to NIW based on the 2004/06 average					
#		43	46	11% reduction	32% reduction
28. Completion of schemes costing over £250k scheduled to start in the Capital Works Programme (%)					
	93	27.6	90	90	90

#: Not measured / no target

Note 1: The systems to report against the efficiency targets are being developed in conjunction with the utility regulator.

Note 2: Operating margin calculated as net surplus/deficit on operations before interest and cost of capital charges (after adjustment for voluntary early departure and one off transformation costs) divided by total revenue.

Note 3: Efficiencies expressed in 2006/07 prices