

December 2016

Trust in water

# Water and wastewater companies' overall service delivery 2015-16



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This is the first report monitoring the overall services delivered by the largest 17 appointed monopoly water and wastewater companies that deliver services to customers ('companies').

The aim of this report is to provide information to interested stakeholders on the relative performance of the monopoly companies that we regulate. Customers and other stakeholders can use this information to challenge companies on their performance and encourage them to deliver better services for all.

We use the information that companies publish to monitor different aspects of their services. We also rate the quality of each company's information (our 'company monitoring framework') so that everyone can have confidence in using it to challenge them to deliver better services. This is part of our approach to ['Monitoring and assuring delivery'](#).

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Our shared vision for the water sector in England and Wales is one where customers and wider society have trust and confidence in water and wastewater services, reflecting the vital nature of these public services. We want the companies that provide these services to be accountable to their customers for delivering the services they need and want at a price they can afford.

Until our 2015-20 price review in 2014 (PR14), we set performance targets for monopoly companies directly through price reviews. Each year, we and other regulators monitored companies to check that they were meeting these targets and we could use our enforcement powers under the Water Industry Act as well as adjustments at subsequent price reviews if companies were not performing.

But at PR14, we expected companies to speak with and listen to ('engage') with their customers and customer challenge groups to agree:

- the things that customers want services to deliver over the long term ('outcomes');
- targets for delivering their outcomes ('performance commitments'); and
- any rewards and penalties ('outcome delivery incentives') for delivering or exceeding the service levels customers expect.

We now expect companies to continue to develop and maintain their relationship with their customers in delivering these outcomes. We expect companies to report on their performance directly to customers and other stakeholders (including us) –and engage effectively with their customers to find out what they want to see. Having information that is easy to understand and navigate provides transparency and helps everyone build trust and confidence in the sector. Information forms the basis for conversations so that water companies can listen to their customers and other stakeholders and deliver the outcomes they, the environment and wider society want.

Information also reveals excellence and good practice within the sector. This can provoke all companies to lift their game and deliver the best for their customers. And information helps us and others –such as customer groups, environmental groups and investors – to hold companies to account. We will do this by speaking with and listening to others to identify the biggest risks to trust and confidence – and areas where we need to take action to avoid problems or make improvements. We want those conversations to enable others to take action too.

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# Selected service promises for 2015-20

## Northumbrian

- Maintaining pipes, pumping stations and treatment works ('infrastructure') to deliver the water service customers expect. This includes managing issues such as low pressure and mains bursts.
- Maintaining infrastructure to deliver the wastewater service customers expect. This includes managing sewer collapses, pollution incidents and sewer flooding.
- Reducing the time lost to supply interruptions by about 30%.

## United Utilities

- A 49% reduction in the number of properties affected each year by internal sewer flooding.
- Reducing the time lost to supply interruption by more than 30%.
- Maintaining pipes, pumping stations and treatment works ('infrastructure') to deliver the water service customers expect. This includes managing issues such as low pressure and mains bursts.

## Dŵr Cymru

- An 8% reduction in leakage levels.
- A 14% reduction in the number of properties affected by internal sewer flooding.
- Reducing the number of category 3 pollution incidents by more than 40%.

## Wessex

- Significant improvements in river water quality through investment at sewage treatment works.
- A 6% reduction in the number of yearly incidents of sewer flooding.
- A target of no hosepipe bans.

## South West

- Improving the quality of bathing water at 15 sites, so that all beaches meet or exceed environmental standards by 2020.
- A 14% reduction in annual incidents of properties being affected by internal sewer flooding.
- Reducing the number of hours lost to supply interruptions by 25%.

## Yorkshire

- Maintaining sewerage network to provide stable, reliable services in line with customer expectations.
- Reducing the time lost to supply interruptions by more than 15%.
- Target of no serious pollution incidents by 2020, and a reduction of around 16% in other pollution incidents.

## Severn Trent

- A 21% reduction in the number of properties affected each year by internal sewer flooding.
- Reducing the time lost to supply interruptions by almost 50%.
- Providing an alternative source of water supply to Birmingham, to improve the resilience of supplies for around a quarter of a million people.

## Anglian

- Reducing the time lost to supply interruptions by almost 40%.
- A 27% reduction in pollution incidents.
- Increasing the proportion of beaches achieving 'excellent' status from 58% to 67%.

## Thames

- A 10% reduction in the number of yearly instances of properties being affected by internal sewer flooding.
- A 9% reduction in leakage levels.
- Preparatory works for building the Thames Tideway Tunnel, a project to deal with the problem of too much sewage going into the River Thames.

## Bristol

- A 10% reduction in leakage levels by 2020.
- Improving the resilience of supplies to reduce the number of people at risk of losing their water supplies by 97% – from around 290,000 people to 9,000 people.

## Southern

- A 30% reduction in the yearly incidents of properties being affected by internal sewer flooding.
- Improving bathing water quality, with a target of seven more beaches gaining 'excellent' status.
- Target of no customers affected by temporary use bans before two consecutive dry winters.

## Dee Valley

- Upgrading a water treatment works to provide the level of service customers' expect. This includes ensuring appropriate drinking water quality and appearance.
- Reducing the amount of time lost to supply interruptions by around 40%.

## Affinity

- A 14% reduction in leakage levels.
- Protecting the environment by reducing the volume of water taken from rivers by around 42 million litres a day.

## South Staffordshire

- Reducing the number of contacts about the acceptability of water by more than 30%.
- Maintain top 25% performance in managing the amount of time lost to supply interruptions.

## South East

- A 5% reduction in leakage levels by 2020.
- Reducing the average amount of time lost to supply interruptions by about 8%.

## Sutton & East Surrey

- Reducing the amount of time lost to supply interruptions by about 30%.
- Reducing leakage levels by 2%.

## Portsmouth

- A 1% reduction in leakage levels.
- A 5% reduction in the number of contacts about drinking water quality, including issues such as colour, odour and taste.

## Sembcorp Bournemouth\*

- Maintaining pipes, pumping stations and treatment works ('infrastructure') to deliver the level of service customers expect.
- Reducing levels of leakage by 7%.

The percentage figure shows how much the average bill will change before inflation between 2015 and 2020.

\* Now part of South West Water.

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We expect companies to decide how they report on their performance each year. But we also expect companies to publish some common content in an annual performance report – this is important as it allows customers and stakeholders to compare the performance of individual companies to the rest of the sector, and sets out a minimum we would expect companies to report on.

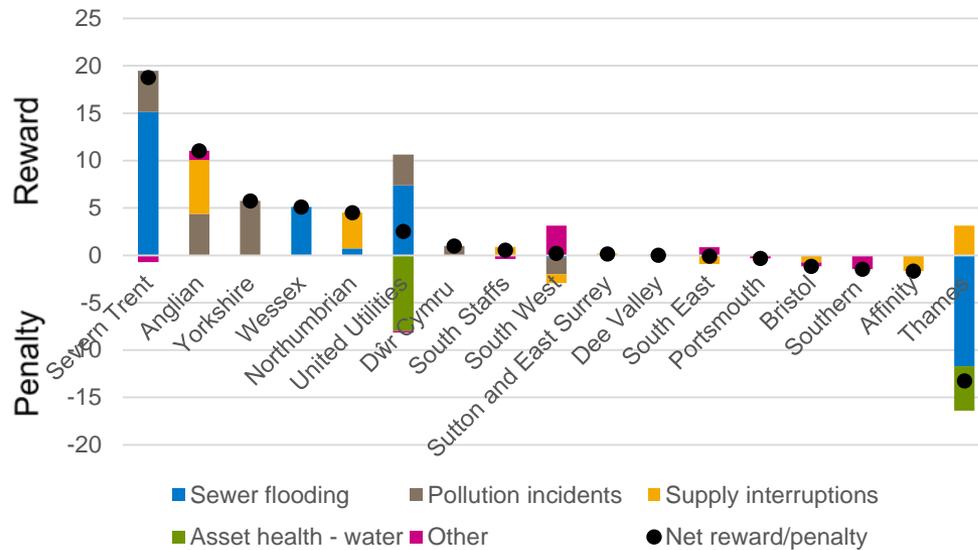
Delivery of these reports and stakeholder engagement will be the responsibility of the individual companies and their Boards. A high performing company will ensure that this information is accessible and engaging for customers and wider stakeholders.

We expect companies to publish each year:

- an annual performance report which will provide specific information on progress on delivery of customer outcomes, service levels, transparent cost information and financial performance – including a summary of key performance parameters;
- a statement that the company has complied with all its relevant statutory, licence and regulatory obligations and is taking appropriate steps to manage and/or mitigate any risks it faces; and
- a summary of the results of the data assurance that has been carried out to evidence that the information provided is accurate.

Companies also publish information on the '[Discover Water](#)' website.

## Outcomes - net reward/penalty (£m)



**70%**  
Companies met 70% of their performance commitments

**£31 million**  
Companies earned an overall net reward of £31 million (rewards minus penalties)

**No overall concerns with companies' performance in 2015-16**

We have no major concerns so far but there is a mixed picture among companies. However this is only the first year of five for the delivery of these outcomes and performance commitments and concerns may emerge in future years.

Some companies are doing well, but some have received significant penalties too.

Companies have taken risks and been innovative with some outcomes.

Where a company has performed very differently to others, this was due to incidents, such as supply interruptions (flooding or bursts), or small companies having single failures.

Companies have earned rewards in delivering wholesale wastewater service (£35.5 million) – but received penalties for their wholesale water service (-£4.1 million).

Some performance improvements may be down to favourable weather conditions, especially sewer flooding and pollution incidents. But storms Desmond and Eva hit some companies' performance.

Companies are proactively resolving problems.

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Companies have made some major improvements in their performance since 2012-13 and 2013-14.

Thames Water has a worse performance due to a reporting issue identified by their internal audit team. It has received a £11.7 million penalty.

Some companies exceeded their 2015-16 targets.

Better weather conditions benefited some companies in 2014-15 and 2015-16. There is a higher risk of sewer flooding in wet years (such as in 2012).

Some companies faced major flooding – such as United Utilities Water and Yorkshire Water.

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All 10 water and wastewater companies have a performance commitment that covers minor (category 3) pollution incidents.

9 of the 10 water and wastewater companies met their comparative 2015-16 target for category 3 pollutions incidents.

Across all wastewater pollution incident performance commitments (categories 1-4) five companies (Anglian, Severn Trent, United Utilities, Dŵr Cymru and Yorkshire) earned rewards totalling £18.76 million.

One company (South West) earned a £1.73 million penalty.

You can find out more information on companies' performance in the Environment Agency's '[Water and sewerage companies' performance 2015 summary](#)', which is available from the gov.uk website

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## What is it?

Asset health is a measure of the ability of a company's assets to continue to perform their functions for the benefit of customers into the future.

It has many different measures focused on specific aspects of asset health, such as:

- mains bursts;
- sewer collapses;
- properties at risk of receiving low pressure; and
- equipment failures.

Companies delivered the majority of their 2015-16 target service levels.

Thames Water did not meet their service level for asset health for their (below ground) water infrastructure and earned a penalty of £4.675 million.

United Utilities did not meet their 'reliable water service index' performance commitment and have earned a penalty of £7.974 million.

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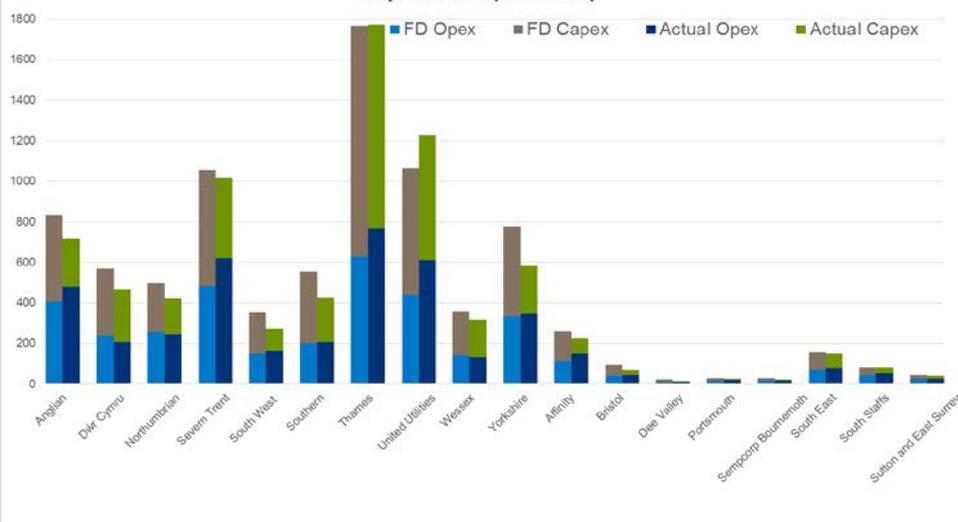
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**Companies total expenditure ('totex')**  
**Our final determinations (FD) in 2014 versus companies' 2015-16 actual expenditure (£ million)**



Overall, sector investment ('total expenditure', or 'totex') was 8% below our forecast for 2015-16.

This varied between companies – for example, United Utilities spent 15% above our forecast while Thames Water is in line.

Companies explained their investment plans in their annual performance reports. This variance was due to a range of reasons including bringing investment forward, adjusting plans which delayed investments, and simply efficient spend.

We do not expect companies to continue under-spending to this extent in the remaining four years in this price review period (2016-20).

We only expect to see companies spending less than they planned where this is the result of them being more efficient – not because they are failing to deliver the outcomes which they said they would.

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<p><b>Customers</b></p>	<p><b>Dŵr Cymru</b> reported high complaints due to admin errors from their new billing system. These have now been corrected. CCWater are also monitoring a higher level of active customer engagement on bad debt leading to a higher volume of calls.</p>	<p><b>Southern Water</b> have a continuous high volume of complaints and have reported this in their annual performance report. <b>CCWater</b> is monitoring closely, and the <b>Customer Advisory Panel (CCG)</b> has challenged the performance and issued its own report.</p>	<p>We have dealt with a number of complaints about <b>Anglian Water's</b> retraction of the SoLow tariff – particularly the handling strategy. We have addressed this with the company and reflected this in our company monitoring framework assessment (CMF).</p>	<p>Introduction</p>
<p><b>Assurance</b></p>	<p>Companies published <b>data assurance summaries</b> for the first time. These ranged in quality and we have highlighted some good practice as well as where improvements can be made. We have addressed this through the CMF.</p>	<p>Our targeted review of <b>sludge and water resources</b> showed some areas where companies were not reporting in line with our requirements. All companies have now addressed these, but there are some explanations <b>lacking in content and quality</b>. We will address this with all companies.</p>		<p>Background</p>
<p><b>Compliance</b></p>	<p>We highlighted some issues with 2014-15 reporting of transactions with <b>associated companies</b>. This time, there was a much greater level of disclosure and compliance with our requirements on transfer pricing (under RAG5).</p>	<p>Our review of assurance and compliance has revealed some minor issues with company reporting. We will engage with companies and the stakeholders concerned.</p>	<p>We have uncovered some <b>outliers and anomalies</b> in company reporting of their revenues and profits by price control. We are following this up with the companies involved.</p>	<p>Selected service promises</p>
<p><b>Transparency</b></p>	<p>Most companies provided a clear <b>risk and compliance statement</b>, which confirms they have complied with all their obligations and have taken appropriate steps to manage their risks. But in some cases this was not <b>fully signed</b> by company boards, and others were not <b>sufficiently clear</b> about full compliance. We have addressed this through the CMF.</p>		<p>We required companies to increase <b>transparency</b> on tax last year, but these <b>varied in quality</b> (and two were missing entirely). We addressed these through our assessment of companies' information quality (our 'company monitoring framework').</p>	<p>Information that companies publish</p>
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Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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Printed on 75% minimum de-inked post-consumer waste paper.  
December 2016

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ISBN 978-1-910739-68-33

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