

# Scottish Water Business Stream Annual Return Commentary 2006-07

WIC Table	WIC Line(s)
B4	1-7

<b>Overall Performance this year</b>
<p>Lines detail Scottish Water Business Stream response times for all BCM enquires.</p>
<p>B4.1 Total number of enquiries: 58,740</p>
<p>B4.2 Number dealt with in 5 working days: 58,497</p>
<p>B4.3 Number dealt with in more than 5 but in 10 working days: 163</p>
<p>B4.4 Number dealt with in more than 10 working days: 80</p>
<b>Any changes to systems or processes or methodology</b>
<p>Due to retail separation, the numbers reported for Scottish Water Business Stream cover the 5 month period from 1 November 2006 to 31 March 2007</p>
<p>The recording and tracking of BCM enquiries for reporting period continued on Hi-Affinity. The introduction of an OPA target with a 5 day response time placed a greater emphasis on responding within this timescale. New management processes brought in, identified and prioritised the enquiries on date of receipt ensuring that more in depth enquiries were given a full 5 days for the response to be compiled and issued.</p>
<p>The issuing of recovery letters was increased from 14 days to 21 days after the bill had been posted. This provided the customer with more time to arrange payment therefore reducing the number of enquiries received. A test program was carried out to courtesy call all customers receiving a bill for over £7,500 within 2 weeks of the bill being posted, therefore pre-empting any customer enquiries.</p>
<b>Any incidents this period (and their effect)</b>
<p>There were no incidents in the report period.</p>
<b>Trends &amp; reasons for these</b>
<p>B4.1</p>
<p>There has been a reduction in the number of enquiries received, due to improved charges information supplied on bills. An increased emphasis has been placed on resolving customer enquiries at point of contact, reducing repeat contacts; this was achieved by increased training for call handlers and improvements in cross departmental processes.</p>
<p>B4.2</p>
<p>The new procedures resulted in only 0.41% of enquiries received waiting longer than 5 days for a response to be issued. Overall 99.59% of enquiries complied with the 5 day response time.</p>

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WIC Table	WIC Line(s)
B4	8 –14

<b>Overall Performance this year</b>
<p>Lines detail Scottish Water Business Streams response times for all COPM enquires</p> <p>B4.8 Total number of enquiries 776</p> <p>B4.9 Number dealt with in 5 working days 776</p> <p>B4.10 Number dealt with in more than 5 but in 10 working days 0</p> <p>B4.11 Number dealt with in more than 10 working days 0</p>
<b>Any changes to systems or processes or methodology</b>
<p>Due to retail separation, the numbers reported for Scottish Water Business Stream cover the period 1 November 2006 to 31 March 2007.</p> <p>The recording and tracking of COPM enquiries for the reporting period continued on Hi-Affinity.</p> <p>Ability to respond to COPM in the 5 day timescales has been improved by the introduction of an automated Direct Debit system. This allowed call handlers to carry out the COPM request on line, removing the need for enquiries to be passed to back office support teams.</p> <p>The automated system also allowed greater emphasis to be placed on call handlers offering the Direct Debit services to customers during other calls. Previously the customer had to return a signed application form. This has reduced the need for customers to contact us requesting a COPM.</p>
<b>Any incidents this period (and their effect)</b>
<p>There were no incidents in the report period</p>
<b>Trends &amp; reasons for these</b>
<p>B4.8 – B4.9</p> <p>For the five months of Scottish Water Business Stream, the new automated Direct Debit system resulted in 98.78% of telephone requests for a COPM being resolved on date of request: with 80.38% of written request also resolved on date of receipt.</p>

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WIC Table	WIC Line(s)
<b>B4</b>	<b>15 - 21</b>

<b>Overall Performance this year</b>
<p>Lines detail Scottish Water Business Stream response times for Written Complaints</p> <p>B4.15 Total number of written complaints: 276</p> <p>B4.16 Number dealt with in 10 working days: 196</p> <p>B4.17 Number dealt with in more than 10 but in 20 working days: 22</p> <p>B4.18 Number dealt with in more than 20 working days: 58.</p>
<b>Any changes to systems or processes or methodology</b>
<p>Due to retail separation, the numbers reported are for Scottish Water Business Stream for the period 1 November 2006 to 31 March 2007.</p> <p>The logging of written complaints was transferred from Scottish Water to Scottish Water Business Stream as part of retail separation on 1 January 2007. New processes were required as written complaints were previously recorded on the Promise system,</p> <p>As of 1 January 2007 complaints were handled by a new team within Business Stream. These were logged and tracked on spreadsheets updated by team members: therefore, a lower confidence grade has been applied to these lines than other areas. New processes, established from 1<sup>st</sup> April 2007, now mean complaints are logged and tracked on Hi-Affinity, improving this confidence grade for the future.</p> <p>As part of the retail separation process, all complaints by business customers must be responded to by Scottish Water Business Stream. If the complaint regards Scottish Water services, a request is sent to Scottish Water by SWBS for response. This has required the introduction of new processes and procedures.</p>
<b>Any incidents this period (and their effect)</b>
<p>No incidents occurred in the report period.</p>
<b>Trends &amp; reasons for these</b>
<p><b>B4.17 &amp; 18</b></p> <p>In the report period 80 complaints were responded to in over 10 days: of these 14 were direct complaints about Scottish Water Business Stream.</p> <p>The remaining 66 complaints failures were operational complaints regarding Scottish Water services. While these customers were kept informed throughout the period, with interim responses being issued, a full response could not be issued until this was received from Scottish Water.</p>

The reasons for the deterioration in service performance were two-fold:-

- Firstly, there was a breakdown in the internal control process for handling SWBS related complaints during March 2006. This resulted from a change in management responsibilities and the transfer of two key staff involved in the complaints process back to Scottish Water. As a result, 13 of the 23 complaints received in March were not responded to within the 10 day period.
- Secondly, the process for passing operational complaints from SWBS to SW was not formalised in the January to March period and as a result 66 operational complaints were not responded to within the 10 day period. While these customers were kept informed throughout the process with interim responses being issued, a full response could not be issued until a final update was received from Scottish Water.

The full complaints process has now been completely re-designed. Complaints are now logged and tracked on Hi-Affinity. There are key control points built into the process which highlight approaching deadline dates and keep advisors informed of where each complaint is in the process. Letters are automatically sent to the customer between day 8 and 10, advising them of the action being taken to address their complaint.

The process for handling operational complaints has now been formalised, with weekly review meetings held with SW to update on actions taken to address outstanding complaints. This review meeting also monitors SW's performance against the Operational Code and ensures compliance with the 8 day timescale for responding to customer complaints.

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WIC Table	WIC Line(s)
B4	22- 29

<b>Overall Performance this year</b>
<p>These lines detail all telephone contacts recorded on main Scottish Water Business Stream contact numbers.</p> <p>B4.22 Total calls received on customer contact lines: 41,777            B4.23 Total calls answered on customer contact lines: 41,563            B4.24 Total calls answered within 30 seconds on customer contact lines: 41,453            B4.25 Total calls answered in more than 30 seconds on customer contact lines: 110            B4.26 Average time taken to answer a call on customer contact lines: 3 seconds            B4.27 All lines busy: new measure. Figures not available.            B4.28 Total of abandoned calls on customer contact lines: 214            B4.29 Total telephone complaints: new measure: 10</p>
<b>Any changes to systems or processes or methodology</b>
<p>Due to retail separation, the numbers reported are for Scottish Water Business Stream for the period 1 November 2006 to 31 March 2007.</p>
<b>Any incidents this period (and their effect)</b>
<p>No incidents occurred in the report period.</p>
<b>Trends &amp; reasons for these</b>
<p>The total number of calls received has improved as a result of customer service improvements which were introduced during 2006/07. These include: increased charging information on bills, more customers paying by Direct Debit and improved first time resolution of issues, which resulted in more manageable call levels. This is reflected in the low number of abandoned calls and an average time to answer a call of 3 seconds.</p> <p>B4.25 &amp; 28            Achieved 99.22% for calls answered in 30 seconds and 0.51% for calls abandoned. This has been achieved through increased accuracy of call demand forecasting, which has allowed better resource management planning, ensuring that more staff are available to take calls at busier periods.</p> <p>B4.29            During the period a new event code was created in Hi-Affinity to allow telephone complaints to be recorded for the first time. Previously these would have been recorded as 'telephone enquiries'. New training is being implemented so that call handlers will now identify telephone complaints separately from telephone enquiries. This will enable accurate reporting of complaints in future.</p>

<b>Any other comments</b>

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WIC Table	WIC Line(s)
B7	23 - 27

<b>Overall Performance this year</b>
<p>Lines Detail Scottish Water Business Stream performance against GMS payments for failure to action change of payment method in 5 days.</p>
<b>Any changes to systems or processes or methodology</b>
<p>Due to retail separation, the numbers reported for Scottish Water Business Stream cover the 5 month period from 1 November 2006 to 31 March 2007</p> <p>The recording and tracking of COPM enquiries for the reporting period continued on Hi-Affinity.</p>
<b>Any incidents this period (and their effect)</b>
<p>There were no incidents in the report period.</p>
<b>Trends &amp; reasons for these</b>
<p>There was no failure on COPM during the reporting period. This is the result of the new that were introduced, as described in the commentary for B4.8-14</p>

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WIC Table	WIC Line(s)
B7	28 - 32

<b>Overall Performance this year</b>
<p>Lines Detail Scottish Water Business Stream performance against GMS payments for failure to action billing charging and metering enquiries in 10 days.</p>
<b>Any changes to systems or processes or methodology</b>
<p>Due to retail separation, the numbers reported for Scottish Water Business Stream cover the 5 month period from 1 November 2006 to 31 March 2007.</p> <p>The recording and tracking of BCM enquiries for the reporting period continued on Hi-Affinity.</p>
<b>Any incidents this period (and their effect)</b>
<p>There were no incidents in the report period.</p>
<b>Trends &amp; reasons for these</b>
<p><b>B7.28</b></p> <p>There were 80 BCM enquiries where there was a failure to respond within 10 days. This represents 0.14% of the total enquiries received for the period from 1<sup>st</sup> November 2006 to 31<sup>st</sup> March 2007.</p> <p><b>B7.29</b></p> <p>A daily Hi-Affinity report is run to show the number of failures for the previous day. This report enables the issuing of automatic payments. As part of this daily check, the individual contacts are audited. Where it is found that a contact has been incorrectly logged as coming from an external source, the automatic payment is withheld.</p> <p>Ongoing investigations into the 80 failures has found that a number of these have been incorrectly logged and should have been converted to internal contacts, therefore removing them from the reported numbers. Training is being implemented to reiterate the importance of correctly logging data onto the Hi-Affinity system.</p> <p>As part of this investigation, we will also ensure that any customers who should have received a payment but have not, will have this applied to the account retrospectively.</p>

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WIC Table	WIC Line(s)
B7	33 - 37

Overall Performance this year
<p>Lines detail Scottish Water Business Stream performance against GMS payments for failure to action written complaints in 10 days.</p>
Any changes to systems or processes or methodology
<p>Due to retail separation, the numbers reported are for Scottish Water Business Stream for the period 1 November 2006 to 31 March 2007.</p> <p>The logging of written complaints was transferred from Scottish Water to Scottish Water Business Stream as part of retail separation on 1 January 2007.</p> <p>New processes were required as written complaints were previously recorded on the Promise system, and as of 1 January this process was transferred to Hi Affinity.</p>
Any incidents this period (and their effect)
<p>There were no incidents in the report period.</p>
Trends & reasons for these
<p><b>B7.33</b></p> <p>There were 80 complaints where there was a failure to respond within 10 days. This represents 28.99% of the total complaints received during the report period.</p> <p><b>B7.34</b></p> <p>A daily Hi-Affinity report is available that shows the number of failures for the previous day. This report enables the issuing of automatic payments. During the report period written complaints were logged and tracked on spreadsheets. This meant that the Hi-Affinity report was not available to track GSS payments against written complaints.</p> <p>An auditing process has been brought in to review the failures during the report period to ensure that all payments due are made retrospectively.</p> <p>Complaints are now logged on Hi-Affinity. This will allow the use of the daily Hi-Affinity report and will ensure that if there are any future failures, the automatic payment will be applied within 10 working days.</p>

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WIC Table	WIC Line(s)
B7	51 - 52

<b>Overall Performance this year</b>
Lines detail Scottish Water Business Stream ex-gratia payments made. Ex-gratia Payments made: 22 Value of payments: £12,367
<b>Any changes to systems or processes or methodology</b>
Due to retail separation, the numbers reported are for Scottish Water Business Stream for the period 1 November 2006 to 31 March 2007.
<b>Any incidents this period (and their effect)</b>
There were no incidents in the report period.
<b>Trends &amp; reasons for these</b>

## Scottish Water Business Stream 2006-07 Section E Tables – Operating Costs and Efficiency

### General Comments

The Activity Based Costing Tables E1 and E2 were prepared using reports from the corporate finance system in a format consistent with the Commission reporting requirements.

Scottish Water Business Stream (SWBS) did not use Scottish Water's (SW) Activity Based Management (ABM) software to allocate costs to WIC activities. Instead information from the SWBS general ledger, combined with non-financial data from the billing system has been used to apportion costs to WIC activities and to split costs between water and wastewater services. The coding structure in the general ledger and the reporting capabilities of the billing system are being continuously reviewed to ensure greater accuracy in cost allocation.

SWBS's activities relate solely to the provision of Customer Service to retail customers (in terms of E table activities), therefore only cells E1.11 & E2.11, E1.16 & E2.16, E1.27 & E2.27, E11.3, E11.5, E11.16, E11.18 and E11.19 have been populated.

### Allocation to Water & Wastewater Services

SWBS's costing strategy entails two main elements:

#### 1. Direct coding of expenditure to Water and Wastewater services in the General Ledger

Peoplesoft 8.4, SWBS's General Ledger system records information in chart fields. Chart fields are the individual fields in the accounting structure which hold financial information. SWBS predominantly uses two main chart fields: account and department ID. The account chart field is used to classify costs by cost type and the department ID chart field is used to allocate costs to specific areas of the business. The total expenditure for the financial period is the total balance of all profit and loss accounts and all department IDs.

SWBS's General Ledger is the primary tool for recording financial information; the allocation of costs to water and wastewater services was therefore primarily determined using the account field information held there.

The table below illustrates how the account code information was used to determine whether costs were allocated to water or waste water activities:

<b>Account</b>	<b>Account Description</b>	<b>Water £m</b>	<b>Waste £m</b>
5001	Wholesale Charge - Unmeasured Water	4.08	-
5005	Wholesale Charge - Unmeasured Waste	-	6.16

However, the account code information does not always enable easy identification of water and wastewater activities. The table below shows examples of account codes that do not uniquely relate to water or wastewater services. In these instances some method of apportionment has been employed.

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<b>Account</b>	<b>Account Description</b>	<b>Total £m</b>
2000	Basic Pay	1.3
3852	Postage	1.0

The table below shows the total costs that were allocated to water and wastewater activities directly from the Ledger and the amount of residual costs that were apportioned using an appropriate cost driver.

	<b>Water</b>		<b>Waste</b>	
	£	%	£	%
Costs allocated directly from GL	46.281	94%	80.573	95%
Residual costs apportioned to W and WW	2.792	6%	4.479	5%
<b>Total Costs</b>	<b>49.073</b>	<b>100%</b>	<b>85.052</b>	<b>100%</b>

### 2. Apportionment of residual costs to water and wastewater services using information from the billing system

Once all costs could be identified as water or wastewater using the account coding in the Ledger, the residual element of costs were apportioned to each service, using an appropriate cost driver.

As a retailer of water and wastewater services, SWBS's primary activity is billing. The number of bills issued by service, therefore, provides a robust activity driver to allocate costs between water and wastewater services. Of the total number of bill lines raised in the 12 months to 31 March 2007, 37% were related to water services and 63% were related to wastewater services. The residual costs that could not be specifically allocated to each service were allocated on this basis.

The table below shows the number of bills issued by service and the percentages used to allocate residual costs to each service.

<b>Service Type</b>	<b>Number of Bills Issued</b>	<b>% of Residual Costs Allocated</b>
Water Services	832,623	38%
Wastewater Services	1,346,375	62%
	<b>2,178,998</b>	<b>100%</b>

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## Total Operating Costs in 2006/07

The table below reconciles the total operating costs reported in the E tables to the Statutory Accounts for the five months to 31 March 2007:-

	<b>2006-07</b>
	<b>£m</b>
Statutory cost of sales	126.8
Statutory administrative expenses	7.3
<b>Costs per statutory accounts</b>	<b>134.1</b>
Costs per E1	49.1
Costs per E2	85.0
<b>Costs per E tables</b>	<b>134.1</b>

## Tables E1 and E2 - Activity Based Costing

Cells E1.11 and E2.11 Customer Services, E1.16 and E2.16 Doubtful Debts and E1.27 and E2.27 Business Activities Depreciation Charge are populated.

## Overview

Total operating costs were £1.0m lower than budgeted in the five months to 31 March 2007, principally as a result of savings on IT and business start up costs.

The allocation of operating costs between water and wastewater services was primarily driven by costs captured directly in the General Ledger. The residual costs were apportioned based on the number of bills raised by service.

The table below shows the percentage of costs captured directly in the Ledger.

	<b>Water</b>		<b>Wastewater</b>	
	£	%	£	%
Costs allocated directly from GL	46.281	94%	80.573	95%
Residual costs apportioned to W and WW	2.792	6%	4.479	5%
<b>Total Costs</b>	<b>49.073</b>	<b>100%</b>	<b>85.052</b>	<b>100%</b>

## **E1.11 and E2.11 - Customer Service Costs**

The allocation of customer service costs between water and wastewater was primarily driven by costs captured directly in the General Ledger. The residual costs were apportioned based on the number of bills raised by service.

## **E1.18 and E2.18 – Doubtful Debts**

Bad debt costs were in line with budget at £2.1m.

Cash collection in the five month period to 31 March 2007 was higher than budget by £11.9m. Aged debt reduced by £17.7m in the period to £15.3m, with debt greater than a year old reducing by £2.3m to £1.6m, the lowest level ever recorded.

Bad debt costs were allocated to water and wastewater based on the number of bills raised by service. As the opening bad debt provision was inherited from SW at 1 November 2006, it was not possible to allocate the bad debt charge to water and wastewater activities based on the movement in the aged debt profile; however, this will be used as the basis for allocation in future years.

## **E1.27 and E2.27 - Capital Maintenance**

Total depreciation was £332k in the period. This included depreciation on assets inherited from SW and depreciation on new capital additions.

Depreciation costs were allocated to water and wastewater based on the number of bills raised by service in the absence of a more appropriate cost driver.

## **Table E11 - Management and General**

Cells E11.3, E11.5, E11.16, E11.18 and E11.19 are populated.

## **E11.3 - Employee Numbers**

The employee numbers reported in E11 reflect the average number of employees seconded from SW to SWBS in the period. The employee numbers have been allocated to water and wastewater services based on the number of bills issued, ensuring consistency with the costs reported in tables E1 and E2.

All employees seconded from SW were formally transferred to SWBS under Transfer of Undertakings (Protection of Employment) TUPE on 1 April 2007.

## **E11.5 and E11.16- Number and Area of Offices**

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SWBS rents office space from SW at Fairmilehead and at two satellite offices in Balmore Road and Bullion House. The floor area of the space occupied is 1500m<sup>2</sup>. This information was provided by SW's Facilities department.

The number of offices and the area of those offices have been allocated to water and wastewater services based on the number of bills issued, ensuring consistency with the costs reported in tables E1 and E2.

### **E11.18 and E11.19 - Information Systems**

All desks and IT equipment are currently rented from SW. The numbers of workstations and PCs have been calculated using the SLA charging information provided by SW. The number of workstations and number of PCs have been allocated to water and wastewater based on the number of bills issued, again ensuring consistency with the costs reported in tables E1 and E2