

# Report from the Chairman of the Quality and Environment Committee



Dŵr Cymru  
Welsh Water

**For the year ended  
31 March 2012**

**The role of the Quality and Environment Committee (QEC) is to advise the Board on matters of public health and operational policy and performance with particular regard to compliance with drinking water and environmental regulations and standards, and occupational health and safety.**

Every month we review performance against key water quality and environmental performance and health and safety indicators, and monitor progress against key strategies designed

to protect public health, protect the environment or to improve the quality of service delivered to customers. We also review the findings of investigations into any major water

quality, environmental or customer service failure, and maintain oversight of the programmes of operational and quality risk management, and of internal and external audit.



Matters discussed at QEC are reported to each meeting of the Board. In this way the Board receives an independent view on performance and strategy (including the thoughts of QEC's two independent

advisors – Andrew Davies who advises on us on water quality matters, and Professor Lynda Warren, who advises us on environmental matters), and assurance that management had responded to any

performance failure in the right way, that lessons had been learned and are taken forward positively, and that key risks are being managed appropriately.

*This statement should be read in conjunction with the Glas Cymru 2012 Annual Review, and the Dŵr Cymru 2012 Performance Report and Occupational Health and Safety Report, which provide more detailed information and explanation regarding the performance of Dŵr Cymru in 2011/12. Water quality and environmental quality performance data is for the calendar year 2011. Other performance information (such as customer service measures and performance against Ofwat's DG service standards) is for the reporting year ended 31 March 2012.*

Dŵr Cymru has performed well and has much to be proud of in the past year. High standards have been maintained for water quality (with a significant reduction in the number of DWI 'reportable incidents'), the target set for leakage reduction was met, and good progress was made in improving customer service and towards meeting the cost efficiency targets that need to be met by March 2015. The business restructuring started in 2010 has also been completed and the new business systems and processes we described in last year's report are now fully operational. But the company faces a significant challenge in the next few years to improve aspects of environmental performance because in 2010 Dŵr Cymru was one of the poorer performers in the sector and the improvement targets set by the Board for last year were not achieved. Ensuring this is turned around is one of the Board and QEC's top priorities.

Strong performance in 2011-12 was helped by less extreme and variable weather conditions compared to the two previous years. However, we are confident that Dŵr Cymru has learned the lessons from past experience and that as a result of more flexible working practices, and investment in the fleet of gritters and 4x4 vehicles and in critical supplies, the company is less reliant on the action of others to keep treatment works operating throughout the winter. We have also seen changes made in the operational and customer contact centre and improved arrangements for ramp-up that mean we can now handle 1,000 customer calls an hour (which is the equivalent to the peak on Christmas Day 2010).

Seven of the ten priority objectives we set in last year's QEC report, including our preparedness for another tough winter, were met in 2011/12. Our improvement targets for WwTW compliance was missed while the target for pollution incidents was only just achieved and these two important areas of performance are now reviewed at every meeting of QEC with additional reporting put in place.

On two other priorities, WTW disinfection and avoidable safety accidents, Dŵr Cymru performance neither improved nor got worse, so these will continue to receive our attention in 2012/13. For further information see the summary of performance against last year's priorities on page 5.

Meeting last year's target for leakage reduction - recovering from the failure to achieve the target for leakage in the previous year and addressing a significant backlog in leakage in the process - took considerable effort and is to be commended. However, this was only achieved by maintaining high level of resources to find and fix over 30,000 leaks at an extra capital and OPEX cost of some £8 million.

That the adoption (in October 211) of an estimated 16,000km of private sewers and lateral drains which were previously privately owned was managed quietly and efficiently, with minimal impact on customer service levels, belies the high level of planning and commitment by staff to ensure this was the case. This is very good news for customers, but it remains a key risk for Dŵr Cymru as records regarding the location and condition of these sewers, a proportion of which will not have been maintained for many years, are poor.

The two priorities we failed to make progress on last year should see improvement in 2012-13. Disinfection risk at WTW has been reassessed and prioritised in a WTW improvement programme approved by the Board in 2011; and on avoidable accidents in the workplace - where nearly a quarter of accidents relate to poor practices for manual handling, lifting and carrying - substantially all of Dŵr Cymru's operational staff have now received training under an external programme delivered by Pristine Condition, who are specialists in this field.

Returning to Dŵr Cymru's environmental performance, notwithstanding a significant amount of effort and investment in the past few years QEC and the Board has been increasingly concerned that since 2009 we have reported an increase in WwTW compliance failures which, coupled with a pollution record that is not improving fast enough, has left us at the wrong end of industry league tables for environmental performance. This both adversely impacts on our reputation with our regulators but could lead to a financial penalty at the next price review if customers are assessed to have been over charged for performance that falls short. To address this Dŵr Cymru has adopted a three year strategy, to build on work undertaken in the past two years, and an improvement plan which has strands of both fast-tracked investment and process improvement, which QEC strongly supports. However, continuing to renew and improve the ageing wastewater network of assets will remain a priority for Dŵr Cymru for many years to come and at QEC we will maintain a close watch on the risks to environmental performance associated with this.

A fundamental review of compliance risk at WwTW having been undertaken, the Board recently approved a phased £30 million wastewater compliance risk reduction programme, which was scoped in 2011 and starting in 2012 will deliver accelerated funding to address compliance risk at 46 sites. 33 schemes have already been approved for delivery in the next 12-18 months. The majority of these sites do not have a significant history of compliance failures but have been identified as operating close to design or consent limits. These schemes will typically improve the efficiency of inlet works and settlement tanks, optimise pumping in the works and local network to improve flow control, improve storm water capacity, or increase a works capability for temporary chemical dosing.

In addition, a £10 million WwTW operational improvement strategy has been approved which will:

- » increase use of remote telemetry and support a more proactive monitoring and survey equipment (e.g. flow and load surveys)
- » provide tactical funding for each catchment to address local sore thumbs and improve rapid response
- » provide funding for dedicated compliance WwTW resources (engineers/ technicians and samplers)
- » provide funding for temporary mitigation equipment/deployment and critical spares and bring forward proactive capital maintenance (prioritised under a process of Local Asset Management ('LAM'))

Leading Edge Assets & People (LEAP) is a medium term programme of project work streams designed to improve efficiency and optimise the way the assets are operated and maintained on a day to day basis. LEAP started in 2010 with a project with a consultancy company that has extensive experience working with many of the UK's leading utility companies, to take a critical look at WwTW operations across the process and ME+I (mechanical engineering and instrumentation) functions. This exercise has helped reduce ineffective time in the working day of operators, craftsmen, and supervisors by reducing their travel time, which has been achieved by amending our approach to work scheduling (reducing the risk of non productive or duplication of effort), optimising our use of mobile technology, and simplifying record keeping.

A similar programme of work streams that kicked off in 2011 is SLAP (Sludge Logistics & Planning) which is designed to optimise arrangement for sludge management, which will in turn support improved WwTW compliance by securing the disposal route for sludge liquors.

Initial work has focused on establishing a new IT system to support this business activity with simplified procedures and in relatively small investment schemes to thicken sludge liquors at a number of WwTW (six schemes are in the delivery phase, and six more have been scoped for delivery in the next twelve months)

Strong governance is a key part of the effectiveness of QEC and much of our time in meetings is committed to overseeing management's response to operational events which had, or could have had, a significant impact on customers or the environment – and the 'lessons learned' from these, and in testing the robustness of strategies designed to protect public health and the environment or improve the quality and efficiency of customer service. To help the Committee in this a number of our meetings each year are held at or close to operational sites where we allot time to receive business presentations and to see assets first hand - and last year 5 of our 12 meetings were given over to this purpose. This included a visit to Llanelli to discuss environmental quality issues in the Loughor Estuary.

During 2011 members of QEC joined other Board colleagues and received a 'teach in' on reservoir safety and monitoring (which is a key risk for the company) from Professor Andy Hughes of WS Atkins, one of the UK's leading experts in this field. In addition to our usual programme of topics for review, we also received presentations on emergency planning exercises, on developments in managing risks in the catchment to raw water quality and on advancements in water network modelling and the use of applied analytics tools to predict future events of pollution or sewer flooding. These are all areas in which Dŵr Cymru has invested in the past year to increase the businesses technical competence and know-how.

**From QEC discussion over the past year, our priorities for Dŵr Cymru for 2012/13 are:**

#### **Improving environmental performance**

1. Reduce the number of pollution incidents that arise from the operation of Dŵr Cymru assets.
2. Improve WwTW compliance against Ofwat's measure of asset serviceability (in particular the serviceability of above ground wastewater assets which in 2011 was assessed by the Board to be 'marginal').
3. Improve the performance of our assets to support delivery of a long term solution to address poor environmental water quality at Llyn Padarn in north Wales

#### **Protecting public health**

4. Reduce the number of water quality failures and incidents at WTWs associated with disinfection (which predated the strategic decision of the Board to bring laboratory and analytical services in house).
5. Evidence that drinking water safety plans and the 'LEAN' approach to maintenance are embedded in WTW operation and in the distribution network.
6. The successful accreditation of in house analytical laboratories in north and south Wales, with improved reliability and efficiency of service.

#### **Improving customer service**

7. Further reduction in customer properties flooded as a result of hydraulically overloaded or blocked sewers.

#### **Other objectives**

8. Increase health and safety reporting of 'near miss' events and 'unsafe acts' by Dŵr Cymru's own employees, its contractors and sub contractors.
9. Reduce the number of avoidable health and safety accidents (e.g. those that include a behavioural aspect).
10. Demonstrate the value from the programme of science and innovation – lower risk, better compliance, better service or improved cost efficiency.

In addition to our stated priorities for 2012/13, bathing water compliance will remain high on the QEC radar as Dŵr Cymru prepares to meet the challenges of the new Bathing Water Directive, and we will maintain our interest in seeing (through site visits and receiving presentations) evidence of continuous improvement and best practice in potable water and wastewater operations. Examples of this include the adoption of Local Asset Management principles and processes which have been successfully trialled and are now being rolled out across the business and the LEAP and SLAP programmes I have already referred to.

I believe that QEC continues to fulfil a unique and important role in the corporate governance of Dŵr Cymru. The committee meets every month and I am very grateful for the advice and support of our independent advisors – Andrew Davies, and our new environmental advisor – Professor Lynda Warren of Aberystwyth University.

If you have a question on any aspect of this report please send an email to: [company.secretary@dwrwymru.com](mailto:company.secretary@dwrwymru.com).



**John Bryant**, Chairman  
Quality and Environment Committee  
8 June 2012

The priorities we set out in our 2011 report	How the company performed
1. Fewer water quality failures and incidents at WTWs associated with disinfection.	↔ The number of Bacti failures at WTW was the same as in 2010 (six). This included a disappointing repeat failure, but also two sample failures (which occurred before we brought laboratory services in-house) that we looked closely at as being anomalous
2. Fewer risks under Regulation 29 and subject to an action plan agreed with DWI.	✓ At March 2011 Dŵr Cymru had such 80 risks and by March 2012, this had fallen to 57. Mitigation plans are in place for all outstanding risks and these are prioritised for early completion in Dŵr Cymru's WTW improvement investment programme.
3. The continued development of a strategy to meet the new lead standard to be introduced in 2013.	✓ This objective was achieved – Dŵr Cymru has a clear strategy in place. This is also a priority for The Wales Health Partnership which will deliver lead awareness and training for public and environmental health bodies across Wales.
4. Reducing the number of minor pollution incidents that arise from the operation of Dŵr Cymru assets.	✓ The target for reducing pollution incidents was met but not comfortably. A more challenging reduction target has been set for 2012 and performance against this is monitored at each meeting of QEC (and the Board).
5. Improving WwTW compliance against the broader Ofwat measure of asset serviceability.	✗ Dŵr Cymru fell short on WwTW compliance in 2011. This is not satisfactory and the monitoring of performance against a 2012-14 improvement strategy has been elevated in the monthly performance report.
6. The impact on overall performance and Dŵr Cymru's management of the transfer private sewers and drains.	✓ This objective was achieved. As a result of detailed implementation plans, the adoption of private sewers on 1 October 2011 was delivered with minimal customer impact.
7. Reducing leakage.	✓ This objective was achieved. The leakage target for 2011-12 was met, but at a price - the operational and capital cost to deliver this improved performance was some £8 million.
8. Ensuring lessons are learned from 2010 so that a future harsh winter would have less of an impact on customers.	✓ This objective was achieved. Dŵr Cymru added to its fleet of gritters and 4x4 vehicles; adopted new flexible working practices; updated real-time website communication; and improved 'ramping up' arrangements in the customer contact centre to respond to customers' needs.
9. Reducing the number of avoidable health and safety accidents (e.g. those that include a behavioural aspect).	↔ Some 50% of accidents still relate to slips trips or falls and manual handling (so are avoidable). QEC expects this to improve following the externally delivered training programmes completed in 2011-12.
10. The further integration of quality management systems and controls for water and sewerage operations.	✓ This has been achieved by establishment of an Integrated Management System, which has put in place a single process for quality management and ensuring continuous improvement.
<p><b>Key:</b></p> <ul style="list-style-type: none"> <li>✓ Performance target met</li> <li>✗ Performance target not met</li> <li>↔ Performance stayed substantially the same</li> </ul>	