

# A new way forward

## Strategic Business Plan 2007-2010

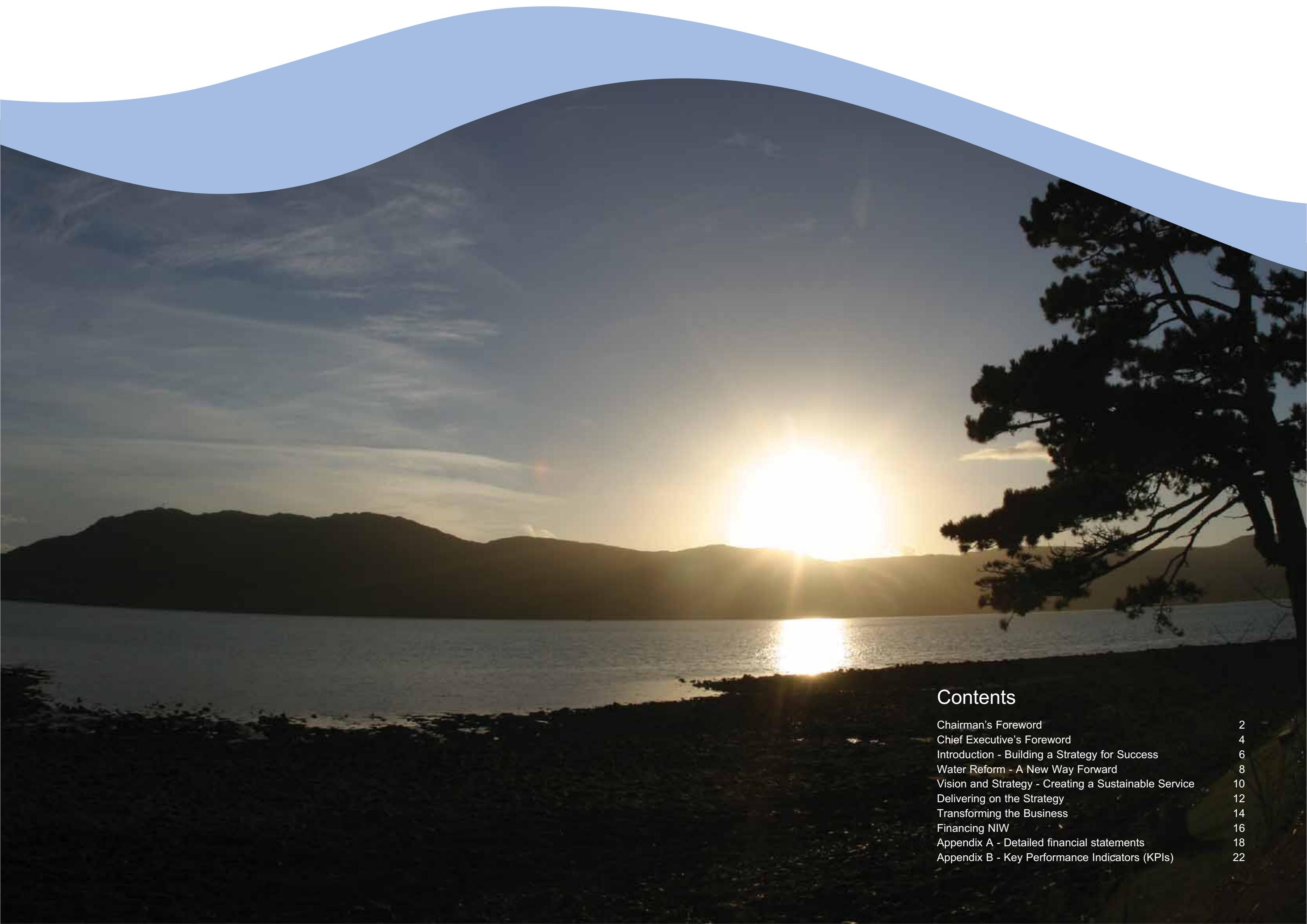
A Summary

The full version of the Strategic Business Plan can be found on the Northern Ireland Water website at [www.niwater.com](http://www.niwater.com). or can be requested from NIW by contacting the Corporate Communications Unit at:

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## Chairman's Foreword



This is a moment of major importance for the water industry in Northern Ireland and I am very proud to be the Chairman of Northern Ireland Water Limited "NIW" at its creation.

The provision of safe, high quality and plentiful water and wastewater services is hugely important because it is fundamentally vital to everyone's health and wellbeing. It also affects the quality of the environment and brings benefits for industry, commerce and tourism.

The creation of NIW is a very significant step forward in the delivery of a key public service in Northern Ireland. It is a real opportunity for all of us involved in NIW to make major improvements in the service we provide, in terms of both quality and cost. Achievement of our objectives will require us to use the resources at our disposal intelligently, work smarter and be very responsive to our customers.

Our targets for improvement in quality and efficiency are challenging. The scale of the transformation in services which we are setting out to achieve will take time and require major capital

investment. But I am confident that our customers, our workforce who deliver the service and our stakeholders will increasingly see the benefits of what is being done.

The Strategic Business Plan maps out our first three years of operation. We are setting out to develop a sustainable business and one capable, over time, of delivering services comparable with the best in the UK water industry. That is truly a prize worth achieving.

A handwritten signature in black ink that reads "Chris Mellor".

Chris Mellor  
Chairman



## Chief Executive's Foreword



The launch of this Strategic Business Plan marks a culmination of over two years of sustained effort which has been building towards a significant change in the provision of water and wastewater services in Northern Ireland. My colleagues and I are delighted to set out in this plan the agenda which Northern Ireland Water will energetically pursue on behalf of customers, staff and stakeholders in the period 2007-2010.

This is a bold agenda of sustained investment and improvements to the service we deliver to customers; an agenda which focuses on the skills and development of staff; an agenda which focuses on the performance delivery and efficiency expected by our stakeholders; an agenda which recognises the role that NIW will play in the economy and environment of Northern Ireland.

This plan outlines how we will improve the quality of our drinking water and wastewater services, recognising the imperatives of value for money and environmental protection. Northern Ireland is already benefiting from the investment made in recent years; it is now time to move further forward as we target a level of service capable of comparison with industry leading providers in these islands and beyond.

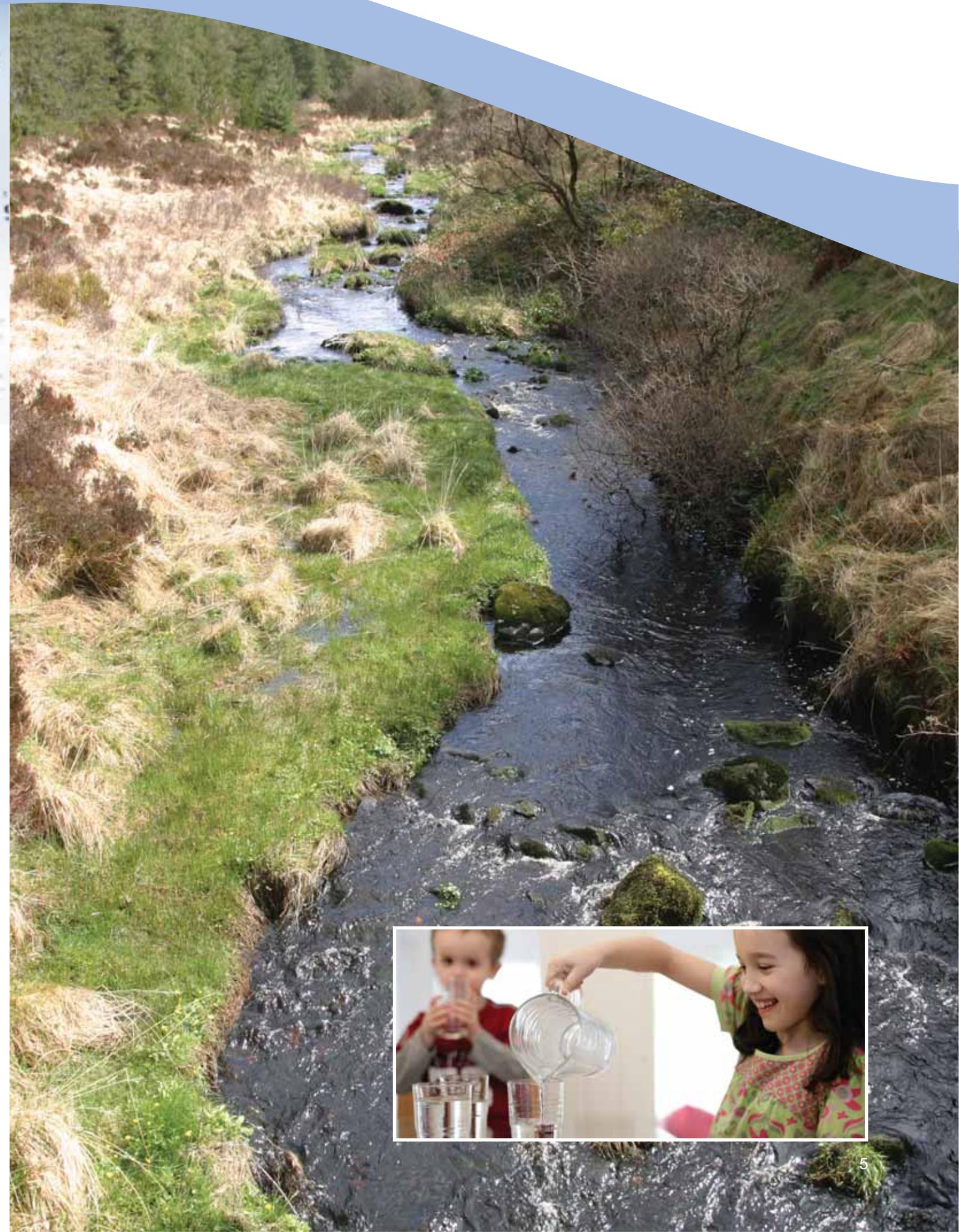
We are, through these changes, embarking upon a new era and a new relationship between NIW and its customers. We are very clear that customers and stakeholders will naturally and appropriately

place NIW under very particular scrutiny. The Company is totally committed to the success of this enterprise and we ask only that expectations reflect the capability of the infrastructure that we have and the extent of our resources.

The period leading up to the creation of NIW has been a demanding one for our staff and I know that there have been concerns about these changes. But I also know that I am fortunate in having colleagues who are both professional and determined to achieve the objectives outlined in this plan. I would thank all those involved directly or indirectly in this process for their efforts to date and in anticipation of the hard work ahead.

*K. Bryan*

Katharine Bryan  
Chief Executive



## Introduction

### Building a strategy for success



This document is a summary of the first Strategic Business Plan for Northern Ireland Water Limited “NIW”, outlining what the company will deliver over its first three years, up to 2010, and in more general terms in the period up to 2014/15. The creation of this new company and the agenda which has been set for it mark one of the most exciting initiatives of recent years, in terms of the delivery of a key public service, in Northern Ireland.

Central to NIW’s strategy is the delivery of enhanced water quality, the safeguarding of public health and the environment, the improving of customer service, and the achievement of substantial cost efficiencies.

Current performance in terms of water quality, wastewater compliance and the frequency of interruptions to water supply experienced by

customers do not match standards being achieved in England and Wales. However standards are starting to improve as a result of substantial recent investment.

The table opposite sets out the scale of the operations currently undertaken by NIW in relation to water supply and wastewater services.

### What NIW does

#### Water Supply

- NIW provides clean safe drinking water to some 795,000 households and businesses throughout Northern Ireland.
- Every day 619 million litres of good quality drinking water is supplied to customers through more than 26,500 km of water mains.
- Due to significant investment in recent years, compliance with mean zonal NI drinking water standards has risen from 98.65% in 2004 to 99.34% in 2006.
- As a result of this plan, drinking water compliance is targeted to reach 99.77% in 2009.

#### Wastewater

- Every year NIW collects 133 million cubic meters of wastewater from 660,000 businesses and households connected to the sewerage system.
- It transports sewage through approximately 14,500 km of sewers to works where it is treated and disposed of.
- Investment in recent years has meant an increase in compliance with NI Water Order consents from 63% of people served by compliant works in 2004 to 77% in 2006.
- As a result of this plan, 94% of people should be served by compliant wastewater treatment works in 2009.

## Water Reform

### A New Way Forward

A dynamic photograph of a person riding a bicycle through a shallow stream. The rider is wearing a blue t-shirt and dark shorts. The bicycle has blue handlebars and a black seat. A large, powerful spray of water is kicked up by the front wheel, creating a misty wake. The background shows dense green trees under a clear blue sky.

As a result of the Government's Water Reform agenda, from 1 April 2007 responsibility for the provision of water and wastewater services has transferred from Water Service, an executive agency within the Department for Regional Development, to Northern Ireland Water (NIW), a wholly Government Owned Company. This means that NIW will continue to provide a public service from within public ownership, while adopting commercial approaches to improve efficiencies and customer service.

Recent political developments mean that the decision on water charges will be for the incoming Executive to take. The plan is based on financial arrangements agreed with the government and is linked to providing improved services and investment in the assets managed by NIW. This approach facilitates the long term planning needed by an infrastructure business and will be overseen by the regulator under the terms of the licence under which NIW will operate. The revenue assumptions and figures in this document reflect the charging policy of the outgoing Government and provide transparency to inform the Executive of the position reached.

## Vision and Strategy

### Creating a Sustainable Service

NIW's vision for the period to 2010 is to build a business that delivers efficient and sustainable water and wastewater services for its customers and the community.

Experience from the GB water industry has demonstrated that significant progress can be made quickly. However, putting in place robust and lasting improvements across the business takes time. The GB industry has already had 17 years of development (and over £50bn of investment). NIW has set itself the challenging aim of matching or exceeding the performance levels of similar GB water companies by 2015.

The creation of NIW represents a major opportunity to transform the delivery of water and sewerage services in Northern Ireland. The NIW strategy is:-

- To become a customer-focused business which offers quality responsive services efficiently and plays its part in improving the health and environment of the community;
- To deliver sustained, prioritised investment in the water and wastewater networks, improving environmental outcomes and delivering much

improved wastewater compliance at works and water quality at the tap. NIW will achieve this as well as delivering the improved services more efficiently by adopting 'best practice' asset management and procurement approaches and improving the operation of the business;

- To be an attractive employer offering staff rewards in line with performance, significant opportunities to develop skills and expertise as well as being able to take pride in delivering an improving quality service;
- To build strong stakeholder relationships with its regulators and meet its shareholders' expectations in terms of the growth in value of the investment made and the payment of dividend in line with normal commercial expectations.

The focus for the three years to 2010 is to deliver substantially better quality services at a lower cost while putting in place the supporting culture, processes and systems to ensure we have a sustainable and efficient organisation.

## Working with Stakeholders

Building good relationships with NIW's stakeholders will be of crucial importance during the period of this plan. NIW's key stakeholders are:-

- Department for Regional Development (DRD), which, aside from being the shareholder, will also set water policy, support investment programmes, and be responsible for customer subsidies;
- The Northern Ireland Authority for Utility Regulation (NIAUR), the economic regulator, which will oversee on behalf of customers the licence NIW operates under and NIW's performance against operational, financial and customer targets;
- The Consumer Council for Northern Ireland (CCNI), which will represent the interests of customers;
- The Environment and Heritage Service (EHS) of the Department of Environment (DOE) and the Drinking Water Inspectorate (DWI), the environmental regulators responsible for monitoring NIW's performance against water and wastewater standards.

NIW will also play its full part in other ways. As one of the ten largest companies in Northern Ireland in terms of revenue and with a major capital investment programme, NIW will contribute to the growth of the local economy and will be the largest investor in environmental improvement in Northern Ireland.

This plan contains improvements which will positively impact upon practically every home and business in Northern Ireland. The following pages outline the challenges and the opportunities.

**The full version of the Strategic Business Plan can be found on the NIW website at [www.niwater.com](http://www.niwater.com)**

## Delivering on the Strategy

### Investing in the Future - A Vital Public Service

NIW's operational agenda is challenging and of major consequence to Northern Ireland. Central to the achievement of the Company's objectives will be the management of relationships with our customers, measurable improvement to water and sewerage services and to the protection of the environment, and a commitment to sustainability.

The achievement of the objectives set out within this Strategic Business Plan will result in major benefits to public health, the environment and the economy. This is an exciting prospect for Northern Ireland and it is important therefore that objectives and targeted deliverables are clearly set out for everyone.

NIW plans to invest almost £1 million per working day over the next three years. So what does that mean in practical terms?

The following 10 point agenda summarises the key outcomes which NIW is aiming to achieve within the life of this plan. It is an ambitious schedule of improvement in all areas of service provision.

### Improving our Water

1. An investment of £174m in water treatment, storage and mains improvements by 2009/10, together with a £110m Public Private Partnership, will improve mean zonal compliance of water quality at the tap with EU drinking water quality standards to 99.77% by 2009.

2. Interruptions to customer supply exceeding 12 hours will be reduced by 50% by 2009/10 and an action plan to address low water pressure problems will be implemented.
3. A reduction in leakage of over 20% will be achieved by 2010 – that would mean leakage levels had more than halved since 2001.
4. 910 kilometres of water main will be replaced or upgraded within the life of this plan. Network improvement will continue to be a major investment priority.

### Improving our Sewerage

5. Improvements to wastewater treatment and collection systems (sewers) resulting from £492m of investment by 2009/10, together with a Public Private Partnership programme investment of £122m, will result in 92.4% compliance of wastewater treatment works with EU standards by 2009.
6. Drainage area plans will replace or upgrade the sewerage system network and reduce pollution incidents - an ongoing investment priority.
7. Poorly performing small wastewater works serving small local communities will benefit from investment of £30 million in the period to 2014 (although expenditure post 2010 will depend on the outcome of the regulatory periodic review in 2009).

### Sustaining our Environment

8. By virtue of the scale of programmes to reduce river and coastal pollution, NIW will be Northern Ireland's largest contributor to protection of the environment. NIW will work to improve its Environmental Management System, maintain ISO 14001 status, further reduce the carbon footprint, enhance biodiversity and recycle excavated material.
9. Increased usage of 'green energy', wind and water – NIW plans to almost double usage from the current 8% green energy to 15% by 2015.

### Water charging

10. Decisions on the introduction of water charges will now be for the incoming Executive. However plans are in place to:
  - a. Establish an affordability tariff for low income households coupled with the phasing in of charges over three years for all customers. These arrangements would be an advance on practice in Great Britain;
  - b. Establish a Customer Relations Centre to collect income and to ensure professional and thorough management of queries and complaints;
  - c. Install meters for domestic new build connections, pensioner applicants and the non-domestic sector.

## Transforming the Business

NIW recognises the need to close the performance gap in terms of key environmental, customer and efficiency measures with the rest of the UK water industry and welcomes the challenge that provides. As a result of recent investment, performance levels have improved significantly but, given the scale of the gap to be closed, remain below those in Great Britain.

The transformation programme is central to closing the gap and delivering the levels of performance customers will expect. The focus for the three years to 2010 is to deliver substantially better quality services at a lower cost.

Specifically in the period to 2010 NIW will deliver capital efficiencies of 17% and operating cost efficiencies of £44m (from a 2003/4 base). It will do this by building on progress already made and by:

- Investing in mobile working and other new technology both to reduce cost and to improve customer service by identifying problems earlier and enabling a speedier response to those problems;
- Changing ways of working to improve efficiency and developing a more customer and performance led culture;
- Improving the way goods and services are bought to save at least £4.4m per year by 2010.

The transformation in NIW will also focus on improving the capability, processes and systems of NIW by:

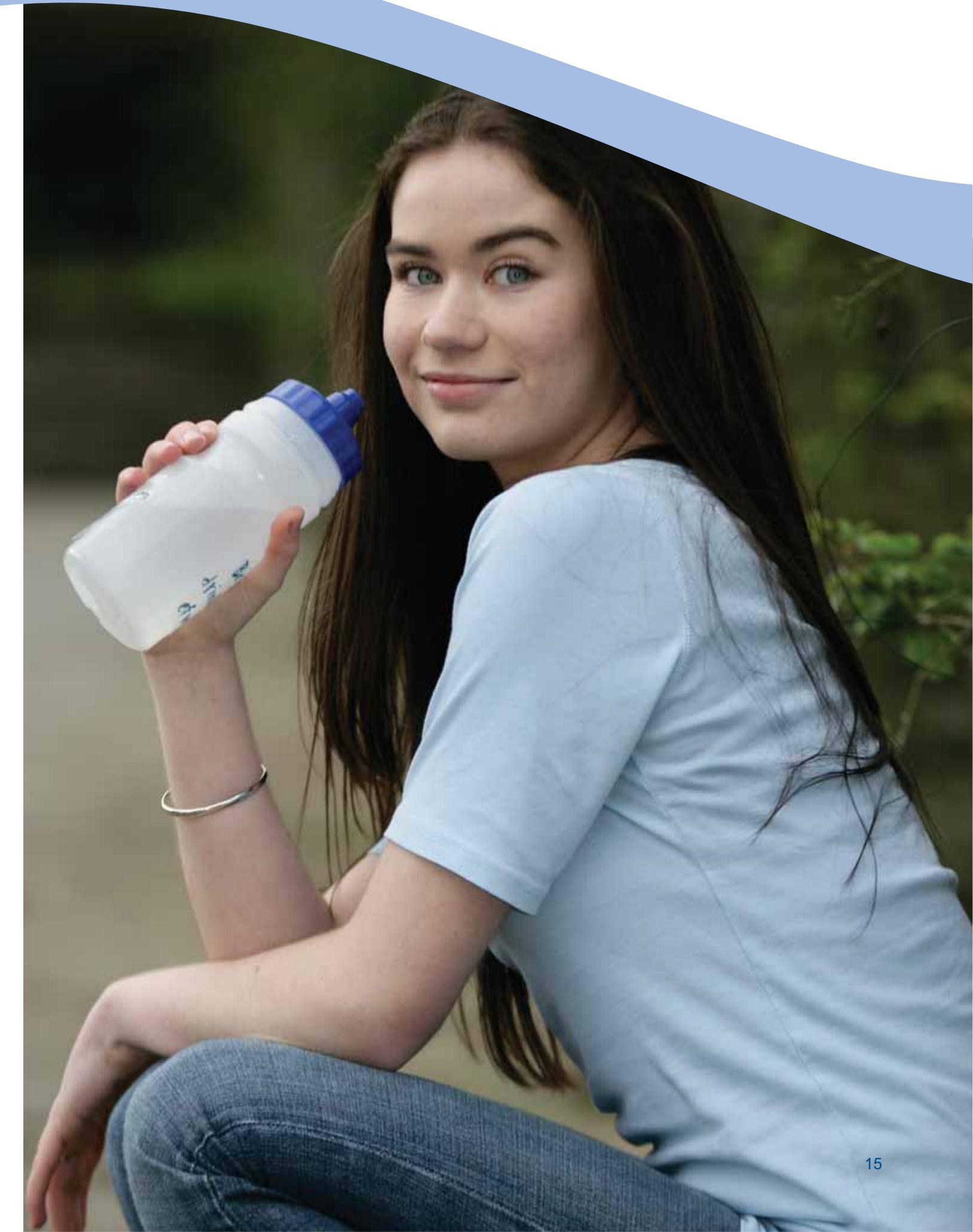
- Developing the skills of the workforce and providing reward and recognition to match performance;
- Identifying, capturing and improving the application of management information to support better service delivery;
- Introducing new systems to support the better use of management information and to increase capability within the business.

As a result of the transformation NIW will reduce its workforce by around 26% to approximately 1400 in the three years to 2010. This will be carefully managed to minimise the impact on staff. In addition to other measures, NIW plans to introduce a voluntary early departure scheme.

NIW therefore anticipates a second phase of the transformation in the period 2010 - 2015 which will target the delivery of 'benchmark' England and Wales water industry standards in customer service, efficiency and environmental performance. This will be achieved through emphasis on:-

- Investment in water mains replacement and sewer refurbishment;
- Further improvements to efficiency levels;
- Improvements to customer experience and benefit delivery.

Collectively, the transformation phases will enable the achievement of the quality of service which NIW wants to deliver to its customers.



# Financing NIW

To be successful in financial terms NIW needs to:

- Deliver an effective service;
- Collect income to meet costs
- Deliver sound financial management
- Produce financial results which make the business sustainable.

## Revenue

The introduction of charging will now be a matter for the incoming Executive. NIW will implement the incoming Executive's preferred approach to raising the revenue required to deliver the outputs set out in this plan.

This Strategic Business Plan has been built on the basis of the outgoing Government's policy in relation to charging. The financial statements in the Annex reflect the presumption that, initially, NIW revenue would comprise tariff income from customers, government subsidy and income from rechargeable services. NIW would then become self-financing when phased tariff subsidies to customers end in 2009/10.

Revenue for the period 2010/11 onwards will be determined by a regulatory price review conducted by the economic regulator in 2009/10.

## Expenditure

Substantial efficiency savings have already been delivered in the period 2003-2007 but it is accepted by NIW that further efficiencies can and should be delivered in the coming years. Operating costs will rise initially in 2007/08 to £192m, largely as a result of the transformation programme, the new costs of billing and collection, and the costs currently met by Government but not shown against Water Service (such as insurance and full pension costs). Operating efficiencies will bring costs down over the course of the three years to 2010.

## Dividend and loans

Subject to any alterations from an incoming Executive, the Strategic Business Plan has been developed on the basis that NIW will be expected to pay commercial rates in relation to the return on taxpayers' investment and for loans from Government. The Plan envisages that the Company would pay a dividend to the Government of 5.1% of the regulated capital value less total debt. However the actual dividend payments in any year would be for the Board to decide in light of the financial performance of the business.

A fixed interest rate of 5.25% will apply to borrowings from Government for the funding set out in this plan in the period to 2010.

## Asset disposals

NIW has assumed responsibility for the assets previously managed by the Water Service. The company intends to optimise the use of all assets and to dispose at best value of any assets no longer required. In the period to 2010, NIW will retain any funds from disposals and will use it to improve performance in relation to customer service, environmental performance or efficiency. After 2010, as in England and Wales, the proceeds will be split between reducing the bills of customers and being available for investment by the company.

## Corporate Governance

Northern Ireland Water has been established as a company under legislation. It has been established with the appropriate control framework in place which will enable corporate governance to be conducted in accordance with best practice. To meet these needs NIW:

- Will be compliant with the relevant parts of the Combined Code in respect of corporate governance insofar as this applies to Government Owned Companies;
- Has planning and budgetary processes in place with monthly reporting to the Board on financial and performance measures and bi-annual assurance statements signed by senior management;
- Has appointed full internal and external audit services reporting to a Board sub-committee chaired by a Non Executive Director;
- Has put in place a risk management system with a further Board sub-committee to oversee its development.

The framework follows best practice but there remain further areas for improvement during the period of this plan as NIW develops its reporting arrangements and as the management information improvements are implemented.

## Appendix A

### Detailed financial statements

#### NIW: Profit And Loss Projections

	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
	AUDITED ACCOUNTS	CURRENT FORECAST	NIW BUSINESS PLAN MODEL						
<b>Revenue</b>									
Income from customers	37,157	37,274	121,041	217,371	319,823	355,877	376,715	399,439	424,841
Government Subsidy <sup>1</sup>	-	-	182,767	134,542	62,122	44,952	48,517	50,963	54,204
Rechargeables	4,141	4,596	3,582	4,241	3,460	3,547	3,635	3,726	3,819
	<b>41,298</b>	<b>41,870</b>	<b>307,391</b>	<b>356,153</b>	<b>385,406</b>	<b>404,376</b>	<b>428,867</b>	<b>454,128</b>	<b>482,864</b>
<b>Expenditure</b>									
Operating Expenditure	( 150,348 )	( 159,416 )	( 190,120 )	( 197,473 )	( 187,738 )	( 181,386 )	( 189,459 )	( 192,039 )	( 195,902 )
PPP/PFI Operating Expenditure	( 2,243 )	( 2,284 )	( 1,912 )	( 20,371 )	( 37,659 )	( 38,296 )	( 38,937 )	( 39,507 )	( 39,538 )
Depreciation	( 124,267 )	( 112,700 )	( 12,586 )	( 18,762 )	( 25,041 )	( 28,856 )	( 32,508 )	( 35,755 )	( 37,962 )
Infrastructure Renewal Charge	-	-	( 35,668 )	( 38,022 )	( 40,785 )	( 43,226 )	( 45,990 )	( 48,966 )	( 53,800 )
	<b>( 276,858 )</b>	<b>( 274,400 )</b>	<b>( 240,286 )</b>	<b>( 274,627 )</b>	<b>( 291,223 )</b>	<b>( 291,765 )</b>	<b>( 306,894 )</b>	<b>( 316,268 )</b>	<b>( 327,201 )</b>
<b>Total Expenditure</b>									
Net surplus / (deficit) on operations before interest and cost of capital charges	( 235,560 )	( 232,530 )	67,105	81,526	94,183	112,611	121,973	137,860	155,663
Interest payable on Loans	( 46 )	( 6,500 )	( 11,086 )	( 20,577 )	( 30,712 )	( 40,023 )	( 46,351 )	( 51,381 )	( 54,752 )
Cost of Capital Charge	( 198,118 )	( 206,160 )	-	-	-	-	-	-	-
Dividend	-	-	( 33,956 )	( 35,006 )	( 36,028 )	( 37,995 )	( 40,624 )	( 43,883 )	( 48,119 )
Deferred Tax	-	-	( 16,806 )	( 18,285 )	( 19,041 )	( 21,776 )	( 22,687 )	( 25,944 )	( 30,273 )
Cash Tax	-	-	-	-	-	-	-	-	-
Net deficit on operations after cost of capital charges	( 433,724 )	( 445,190 )	5,257	7,658	8,401	12,817	12,312	16,652	22,519
Opex Margin <sup>2</sup>			21.83%	22.89%	24.44%	27.85%	28.44%	30.36%	32.24%
Opex Margin excluding exceptional <sup>3</sup>			25.44%	26.72%	26.34%	28.29%	28.87%	30.77%	32.63%
Net debt / RCV gearing ratio			32.85%	43.15%	49.10%	51.82%	53.19%	53.18%	51.82%
<b>Government Subsidy</b>									
Phasing Subsidy	-	-	171,840	100,783	-	-	-	-	-
Pegging Subsidy	-	-	-	11,492	27,855	-	-	-	-
Low Income Subsidy <sup>1</sup>	-	-	9,817	21,698	34,267	44,952	48,517	50,963	54,204
Septic Tank Subsidy <sup>4</sup>	-	-	1,110	569	-	-	-	-	-
	<b>-</b>	<b>-</b>	<b>182,767</b>	<b>134,542</b>	<b>62,122</b>	<b>44,952</b>	<b>48,517</b>	<b>50,963</b>	<b>54,204</b>

#### Notes

1. Low Income Subsidy post 2011/12 has been assumed to remain at the same level as 2010/11 & 2011/12 (in % terms)
2. Opex margin calculated as net surplus / deficit on operations before interest and cost of capital charges divided by total revenue
3. Opex margin excluding exceptional 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
4. Income from septic tank emptying has been phased in line with other new charges

#### NIW: Projected Balance Sheets

	2005/06 £'000	2006/07 £'000	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
	AUDITED ACCOUNTS	CURRENT FORECAST	NIW BUSINESS PLAN MODEL						
<b>Fixed Assets</b>									
Tangible Assets	6,046,100	855,162	1,102,036	1,405,995	1,588,491	1,742,217	1,879,351	1,993,458	2,088,473
Investments	62	62	63	65	66	68	70	71	73
	<b>6,046,162</b>	<b>855,224</b>	<b>1,102,099</b>	<b>1,406,059</b>	<b>1,588,557</b>	<b>1,742,285</b>	<b>1,879,421</b>	<b>1,993,530</b>	<b>2,088,546</b>
<b>Current Assets</b>									
Stocks & work in progress	1,685	2,000	2,880	3,268	3,381	3,295	3,426	3,473	3,532
Debtors due within one year	32,093	33,574	42,653	67,853	91,350	102,673	112,124	119,211	127,217
Cash in bank and hand	23	26	-	-	-	-	-	-	-
Interest asset (PPP - Omega & Kinnear)	-	1,307	2,755	5,468	8,255	11,118	14,058	17,078	20,179
	<b>33,801</b>	<b>36,907</b>	<b>48,288</b>	<b>76,589</b>	<b>102,987</b>	<b>117,086</b>	<b>129,608</b>	<b>139,762</b>	<b>150,928</b>
<b>Creditors: amounts falling due within one year</b>									
	( 88,113 )	( 56,200 )	( 427,331 )	( 731,682 )	( 905,609 )	( 1,035,692 )	( 1,150,249 )	( 1,234,119 )	( 1,287,119 )
<b>Net Current (Liabilities) Assets</b>									
	( 54,312 )	( 19,293 )	( 379,043 )	( 655,093 )	( 802,622 )	( 918,605 )	( 1,020,640 )	( 1,094,357 )	( 1,136,192 )
<b>Total Assets less Current Liabilities</b>									
	<b>5,991,850</b>	<b>835,931</b>	<b>723,056</b>	<b>750,966</b>	<b>785,935</b>	<b>823,680</b>	<b>858,780</b>	<b>899,173</b>	<b>952,354</b>
<b>Creditors: amounts falling due after one year</b>									
	( 4,781 )	( 4,000 )	-	-	-	-	-	-	-
<b>Provision for Liabilities and Charges</b>									
	( 4,251 )	( 10,831 )	( 46,699 )	( 66,952 )	( 93,520 )	( 118,448 )	( 141,236 )	( 164,977 )	( 195,640 )
<b>Net Assets</b>									
	<b>5,982,818</b>	<b>821,100</b>	<b>676,357</b>	<b>684,015</b>	<b>692,416</b>	<b>705,232</b>	<b>717,544</b>	<b>734,196</b>	<b>756,715</b>
<b>Taxpayers Equity</b>									
General Fund	3,784,317	783,017	-	-	-	-	-	-	-
Shareholders Capital	-	-	671,100	671,100	671,100</				

## Appendix A

### Detailed financial statements

#### NIW: Cashflow Projections

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000
	NIW BUSINESS PLAN MODEL						
<b>Operating Cash Flow</b>							
EBITDA (excl. IRC)	115,360	138,310	160,009	184,693	200,471	222,582	247,425
Changes in working capital	(19,282 )	(27,016 )	( 24,059 )	( 14,165 )	( 9,765 )	( 8,383 )	( 8,783 )
Change in provisions for liab. & charges	( 2,563 )	( 7,776 )	( 280 )	( 96 )	( 96 )	( 10 )	( 10 )
Change in provisions for bad debt	3,981	7,687	10,262	7,525	4,545	2,025	2,247
Change in deferred income balance	1,905	2,241	1,930	1,257	1,657	1,634	1,611
Change in pension & VER provisions	656	2,056	( 2,456 )	( 4,278 )	( 4,347 )	( 4,218 )	( 1,848 )
<b>Total</b>	<b>100,056</b>	<b>115,503</b>	<b>145,407</b>	<b>174,937</b>	<b>192,465</b>	<b>213,630</b>	<b>240,642</b>
Cash tax paid	-	-	-	-	-	-	-
<b>Financing Cash Flow</b>							
Change in PPP-PFI/finance leases	-	( 461 )	( 110 )	( 300 )	( 378 )	( 342 )	( 182 )
Change in PPP interest asset (Omega & Kinnear - Off balance sheet)	( 1,449 )	( 2,715 )	( 2,789 )	( 2,864 )	( 2,942 )	( 3,021 )	( 3,103 )
Interest paid	( 11,086 )	( 20,577 )	( 30,712 )	( 40,023 )	( 46,351 )	( 51,381 )	( 54,752 )
Proceeds from asset sales	2,101	6,461	4,415	-	-	-	-
<b>Total</b>	<b>( 10,434 )</b>	<b>( 17,292 )</b>	<b>( 29,196 )</b>	<b>( 43,187 )</b>	<b>( 49,671 )</b>	<b>( 54,745 )</b>	<b>( 58,037 )</b>
<b>Investing Cash Flow</b>							
Capex - Infrastructure (incl. IRC)	( 124,957 )	( 102,638 )	( 109,695 )	( 119,405 )	( 102,888 )	( 116,759 )	( 136,420 )
Capex - Non-Infrastructure	( 148,076 )	( 152,915 )	( 143,043 )	( 106,403 )	( 112,744 )	( 82,069 )	( 50,357 )
<b>Total</b>	<b>( 273,034 )</b>	<b>( 255,553 )</b>	<b>( 252,738 )</b>	<b>( 225,809 )</b>	<b>( 215,632 )</b>	<b>( 198,829 )</b>	<b>( 186,777 )</b>
<b>Total cash flow before dividends</b>	<b>( 183,411 )</b>	<b>( 157,342 )</b>	<b>( 136,528 )</b>	<b>( 94,059 )</b>	<b>( 72,838 )</b>	<b>( 39,944 )</b>	<b>( 4,171 )</b>
Dividends paid	-	( 33,956 )	( 35,006 )	( 36,028 )	( 37,995 )	( 40,624 )	( 43,883 )
<b>Change in net cash/debt</b>	<b>( 183,411 )</b>	<b>( 191,298 )</b>	<b>( 171,534 )</b>	<b>( 130,087 )</b>	<b>( 110,833 )</b>	<b>( 80,567 )</b>	<b>( 48,055 )</b>
<b>Output</b>							
Investing CF	333,411	524,710	696,244	826,330	937,163	1,017,731	1,065,785
Total CF	( 273,034 )	( 255,553 )	( 252,738 )	( 225,809 )	( 215,632 )	( 198,829 )	( 186,777 )
Net debt	( 333,411 )	( 524,710 )	( 696,244 )	( 826,330 )	( 937,163 )	( 1,017,731 )	( 1,065,785 )



## Appendix B

### Key Performance Indicators (KPIs)

This appendix sets out a full list of the KPIs for NIW. At present not all the data required for the full list of regulatory measures is available. The list below has been approved by the NIW Board and covers both targets capable of measurement in 2007/08 and those requiring work both to provide a suitable methodology and to allow sensible targets to be set. The latter category will be targets for measurement in 2008/9 and beyond. Those measures in *italics* will be dependent on the decision of an incoming Executive regarding water charging.

KPI	Actual 2005/06	Target 2006/07	2007/08	2009/10	2014/15
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#### CUSTOMERS

1. Supply interruptions - number of properties experiencing unplanned and unwarned interruptions in excess of:					
6 hours	2.05	#	2.00	1.00	0.30
12 hours	0.87	0.30	0.25	0.15	0.10
24 hours (Expressed as a percentage of households)	0.01	#	0.03	0.01	Nil
2. Written complaints - number of written complaints answered within 10 days as a percentage of total written complaints (%)	92.03	90	96	98	100
3. <i>Customer billing - number of billing contacts dealt within 5 working days expressed as a percentage of total billing contacts. Billing contacts include account queries, change of address, request for alternative payment arrangements etc. and can be received by telephone, in writing, by e-mail and by personal visit (%)</i>	#	#	96	98	100
4. <i>Billing of Metered Customers – number of bills based on a meter reading expressed as a percentage of total metered accounts (%)</i>	#	#	95	95	99
5. Ease of telephone contact - customer calls answered during business hours (8am to 8pm Monday to Friday, 8am to 6pm Saturday, 10am to 6pm Sunday) within 30 seconds (%)	89	93	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. (An independent market research company also carries out a survey on call handling satisfaction.) - % of calls not abandoned - % of calls not all lines busy - % customer satisfaction	#	#	New target being developed by OFWAT – not yet set for NIW		

KPI	Actual 2005/06	Target 2006/07	2007/08	2009/10	2014/15
7. Sewer flooding. Number of properties affected by an incident of internal sewage 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 sewage flooding caused by equipment failure in, blockage or collapse of, a sewer (also termed 'other causes')	#	KPI Target Under Construction			
9. Sewer flooding. Number of properties considered to be at risk of flooding by sewage, 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			
<b>CASH</b>					
11. Leakage - reduction in overall leakage (million litres per day)	177.8	169.0	157.0	135.5	135.5
12. Operating margin - excluding exceptionals (%) (note 2)	#	#	25.44	26.34	32.63*
13. Comparative operating cost efficiency – expressed in £m from a 2003/4 base (note 3)	17.9	24.6	29.8	44.0	55.6*
14. Comparative capital efficiency – expressed as a percentage of total capital expenditure (%)	#	#	2.1	17.0	19.3*
15. <i>Billing - percentage of bills issued on time</i>	#	KPI target to be set in light of decision on charging			
16. <i>Average number of debtor days outstanding</i>	#	KPI target to be set in light of decision on charging			
<b>PEOPLE</b>					
17. Health and safety - reduction in the number of 'days lost' due to accidents based on the previous three year average (%)	#	5	5	5	5
18. Health and safety - reduction in the number of 'lost day' accidents based on the previous three year average (%)	#	5	5	5	5
19. Manpower numbers - number of posts	#	1,926	1,881	1,412	#
20. Staff attendance (%)	95.10	95.42	96.50	#	#
21. Staff satisfaction levels - increase in the number of staff saying NIW is a good place to work from 2005/06 result (%)	#	#	20	60	#

## Appendix B

### Key Performance Indicators (KPIs)

KPI	Actual 2005	Actual 2006	2007	2009	2014
<b>COMPLIANCE</b>					
22. Drinking water quality – percentage compliance with the Water Supply (Water Quality) Regulations (NI) 2002:					
(a) taking into account Authorised Departures	99.73	99.66	99.72	99.81	99.90
(b) not taking into account Authorised Departures	99.19	99.42	99.60	99.80	99.90
23. Mean zonal compliance - water quality at the tap (%)	<b>99.02</b>	<b>99.34</b>	<b>99.44</b>	<b>99.77</b>	<b>99.90</b>
24. Operational Performance Indicator (Turbidity, Iron and Manganese) (%)	#	98.87	98.90	99.00	99.65
25. Wastewater quality (note 1) - wastewater treatment works serving greater than 250 population equivalent achieving compliance with NI Water Order Consents expressed as a					
(a) percentage of works %	81.7	84.0	84.0	91.0	100.0
(b) percentage of population equivalent %	<b>66.8</b>	<b>77.0</b>	<b>82.5</b>	<b>94.0</b>	<b>100.0</b>
26. Wastewater Treatment Works passing Urban Waste Water Treatment Directive numeric consents (%)	#	76.3	80.2	92.4	100.0
27. Pollution incidents (high/medium) - reduction in the number of pollution incidents attributed to NIW based on 2004/2006 average (%)	#	#	5	11	32
28. Capex issues and initiatives - completion of schemes costing over £250k, scheduled to start in the Capital Works Programme (%) <sup>+</sup>	93	90	90	90	90

#### Note to table:

- 1 This target includes a small number of wastewater treatment works with < 250 population equivalent and an Environment and Heritage Service numeric discharge standard.
- 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.
- 3 Efficiencies expressed in 2006/07 prices.

#### Key to table:

# not measured / no target

\* Target to 2013/14

+ this target is set on a financial year basis

