

WRC Meeting

11th April 2019



**We want to address the questions raised at WRC on
28th February last**

and

We want to talk about the future of water services

1	Introduction
2	What issue are we trying to solve?
3	What options did we look at?
4	What are we trying to achieve?

1

Introduction

Letter from DHPLG to Irish Water, CCMA & ICTU

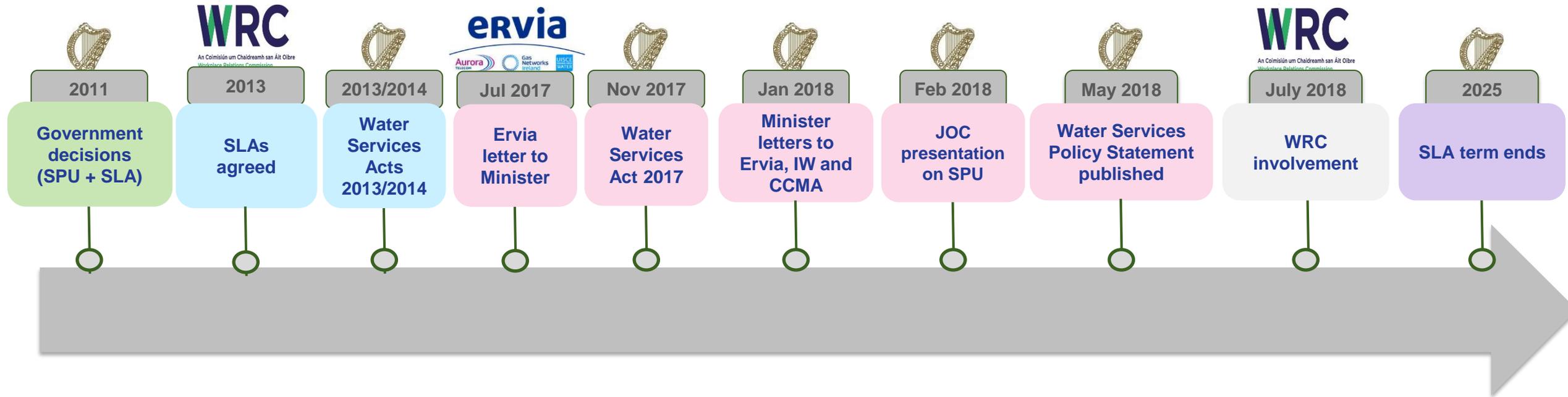
November 2018



“The Minister is requesting that the parties engage in a process, assisted by the WRC, to develop a framework for the future, which would replace the current SLAs, with arrangements which:

- (a) Provide Irish Water, as the national water services authority, with the necessary control of operations, accountability and capacity to manage risk and communicate and negotiate with all water services workers on the change agenda and provide a single identity for customer facing services;
- (b) Ensure that Irish Water is not left without an appropriate skilled workforce to carry out its statutory functions and local authorities are not left with stranded costs; and,
- (c) Address the concerns of workers in relation to the future deployment of the current local authority water staff, by developing arrangements which meet the objectives set out in (a) and (b) above, while not requiring the invoking of Section 19 of the Water Services (No.2) Act, other than by collective agreement.”

The water services journey



2

Question asked at WRC:

“What issue are we trying to solve?”

Irish Water is responsible and accountable for the delivery of a national water and wastewater service whilst not having direct control over water services; there is misalignment





National perspective

Water is a national resource and we need to manage it accordingly, by:

- prioritising the needs of society and our growing economy; and
- getting the best Value For Money (VFM) from available funding

The challenges facing water services in Ireland include:

- ensuring a safe and reliable water supply across the country
- effectively managing wastewater bringing the service to acceptable international standards
- protecting and enhancing our environment
- supporting social and economic growth
- investing in the future
- meeting all our customers' expectations

Ultimately, our ambition is that every citizen and company connected to our networks should enjoy the same, satisfactory standard in their water and wastewater service, irrespective of where they are located

Together with local authorities, we have achieved a lot over the last 5 years, in particular resolving service issues together and starting the transformation of service delivery

However, in order to meet the future challenges we are facing, **we now need a major change in how water services are structured and managed**

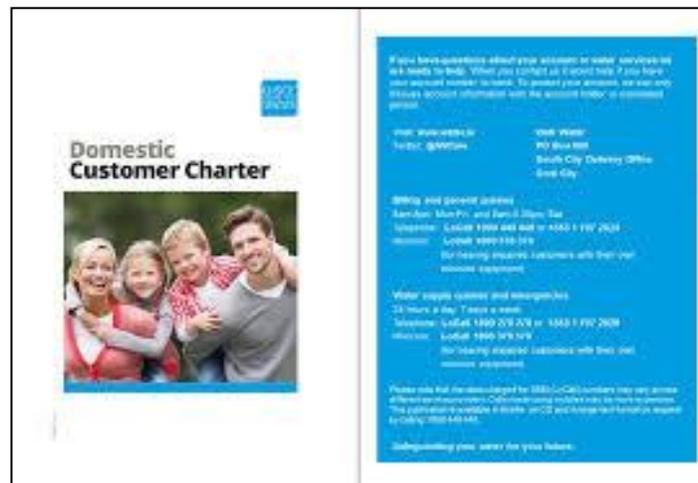
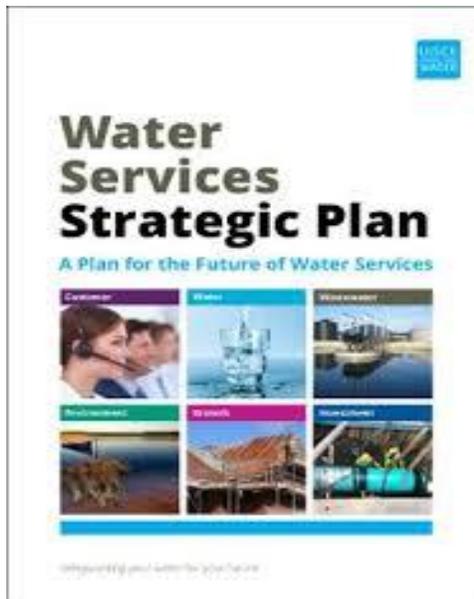
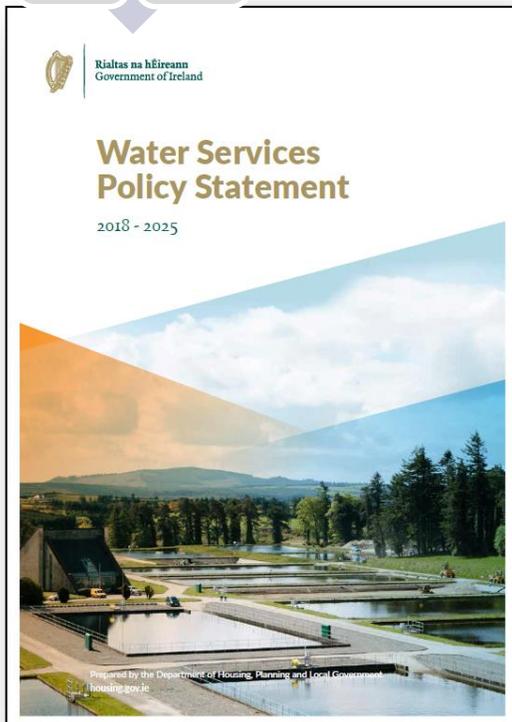
National perspective

SLA structural limitations

Risk to funding

Risk to operational and customer service

National perspective



National perspective

SLA structural limitations

Risk to funding

Risk to operational and customer service

National perspective - oversight



An Roinn Tithíochta, Pleanála agus Rialtais Áitiúil
Department of Housing, Planning and Local Government



An Coimisiún um Rialáil Fóntais
Commission for Regulation of Utilities



epa
Environmental Protection Agency



Coimisiún Cosanta Sonraí
Data Protection Commission



An Roinn Caiteachais Phoiblí agus Athchóirithe
Department of Public Expenditure and Reform

NewERA



HE
Feidhmeannacht na Seirbhíse Sláinte
Health Service Executive



Iascach Iníre Éireann
Inland Fisheries Ireland



Committee of

Joint Oireachtas Committee on **Future Funding of Water Services**



Committee of

Joint Oireachtas Committee on **Housing Planning & Local Government**



Committee of

Committee of **Public Accounts**



AN FÓRAM UISCE
National Water Forum



WAB
Water Advisory Body



An Roinn Cultúir, Oidhreacht agus Gaeltachta
Department of Culture, Heritage and the Gaeltacht



National Parks & Wildlife Service

SLA structural limitations

Staff



- Recruitment, retention, succession & career planning issues
- Irish Water is unable to employ, transfer or assign staff to work within the local authority
- Some local authority workforce not assigned full-time to water services
- Limited input into decision making
- Continuing uncertainty leading to staff anxiety (recognised in Sept. '18 WRC report)

Operations



- 32 Management teams
- Different priorities – Irish Water has a singular focus on water; local authorities have a broader remit
- Irish Water is accountable and responsible for Water Services but doesn't have the necessary control
- Service risk
- Pace of transformation
- Difficult to implement standard ways of working

Customer Service



- Customer Charter obligations
- Differences in service
- Difficulty rolling out national programmes
- Need for integrated capital and operational expenditure
- Clear customer service benchmarks – meeting comparable benchmarking targets

Financial



- Regulator (CRU) is driving challenging annual efficiencies, based on clear international benchmarks
- Significant overhead costs associated with servicing the SLAs in Irish Water and the local authorities
- Economies of scale
- Need to free up operational spend to fund an increased asset base and growth

SLA structural limitations – the drive to change

The Expert Commission on the funding of Domestic Public Water Services, (Kevin Duffy) Section 5.2.18, November 2016

“...the Expert Commission was concerned that these SLAs could become a barrier in the drive towards ever-improving efficiency, and we recommend that these arrangements be reviewed in the context of the CER’s remit in ensuring a cost efficient water service.”

WRC to Minister Murphy, 19 September 2018

“Parties expressed their concerns that additional delay in clarifying the future structure for delivery of water services could exacerbate this situation, and consequently increase risks to the safe and effective delivery of water and wastewater services over the medium term.”

Commission for Regulation of Utilities, 2019

“The CRU acknowledges that SLA costs form the majority of Irish Water’s opex requirement. Irish Water’s WIOF Programme is central to driving efficiencies in this area. The CRU is of the view that the delivery of WIOF can lead to significant savings to the customer. The CRU continues to support WIOF and will continue to challenge Irish Water to reduce its SLA costs by a modest 5% before WIOF savings materialise.”

Risk to operational and customer service

The **SLA involves fragmented control & service delivery resulting in duplication, an inability to deliver economies of scale at a national level and a greater level of service risk than a national utility**

We have a **complex management structure** which leads to:

- unclear lines of accountability & unwieldy governance
- delays & complexity in operations
- unnecessary costs
- delays in bringing in required changes

We cannot deliver the **required capability levels** across the country in:

- process optimisation
- specialised maintenance
- leakage control
- labs and sampling

We have **variances in customer service**:

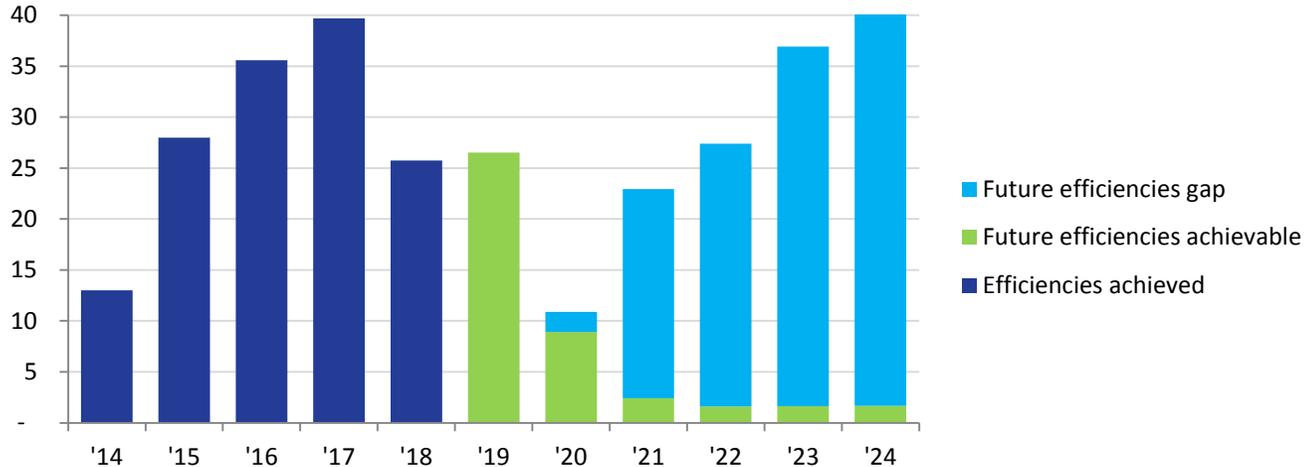
- different work practices across LAs
- differences in reporting leading to inconsistencies
- order & complaints turnaround time
- inability to meet CRU targets (Customer Handbook)

There are **multiple and varied ways of working** which militate against consistent operation of the services, leading to avoidable service issues e.g.

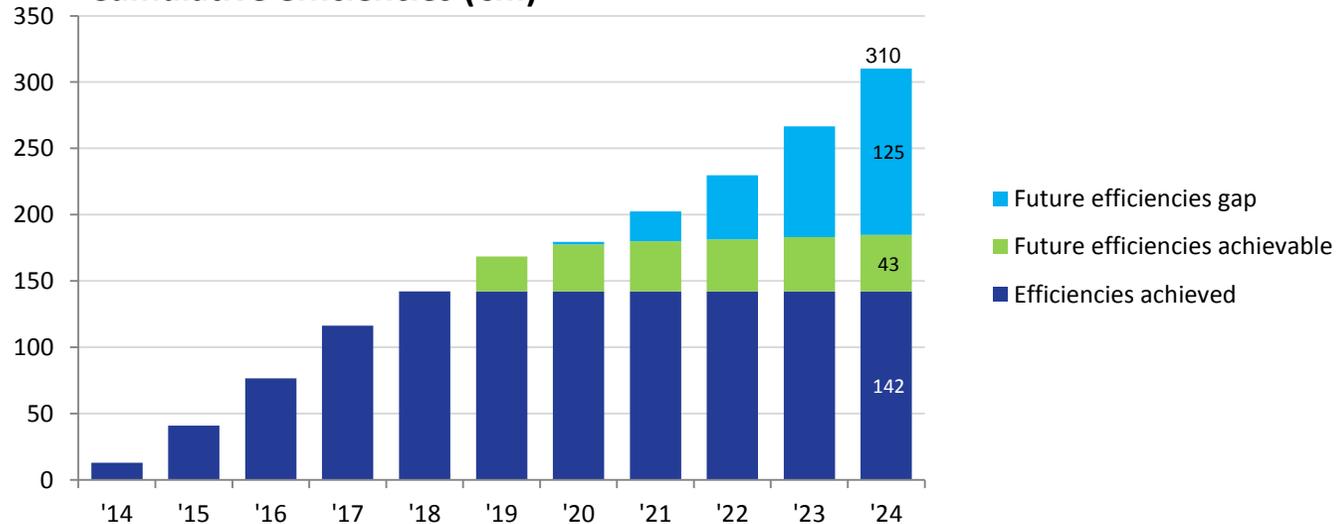
- we don't have a structure to deliver a service response comparable to other utilities, Irish or otherwise
- with so many elements, implementation of standard operating procedures has been difficult to achieve and limited in scope

Risk to future funding

In-year efficiencies (€m)



Cumulative efficiencies (€m)



CRU (formerly CER), October 2013

“The CER has concerns the arrangements under the service level agreements (SLAs) will not facilitate the achievement of significant efficiencies which are anticipated from the reform programme....”

CRU Decision Paper 2019

“Irish Water’s WIOF project is central to driving efficiencies in opex requirements. The CRU is of the view that the delivery of WIOF can lead to significant savings to the customer”

From 2014 – 2018 – figures are ‘actual’

From 2019 – 2024 – figures represent the Strategic Funding Policy (SFP) targets

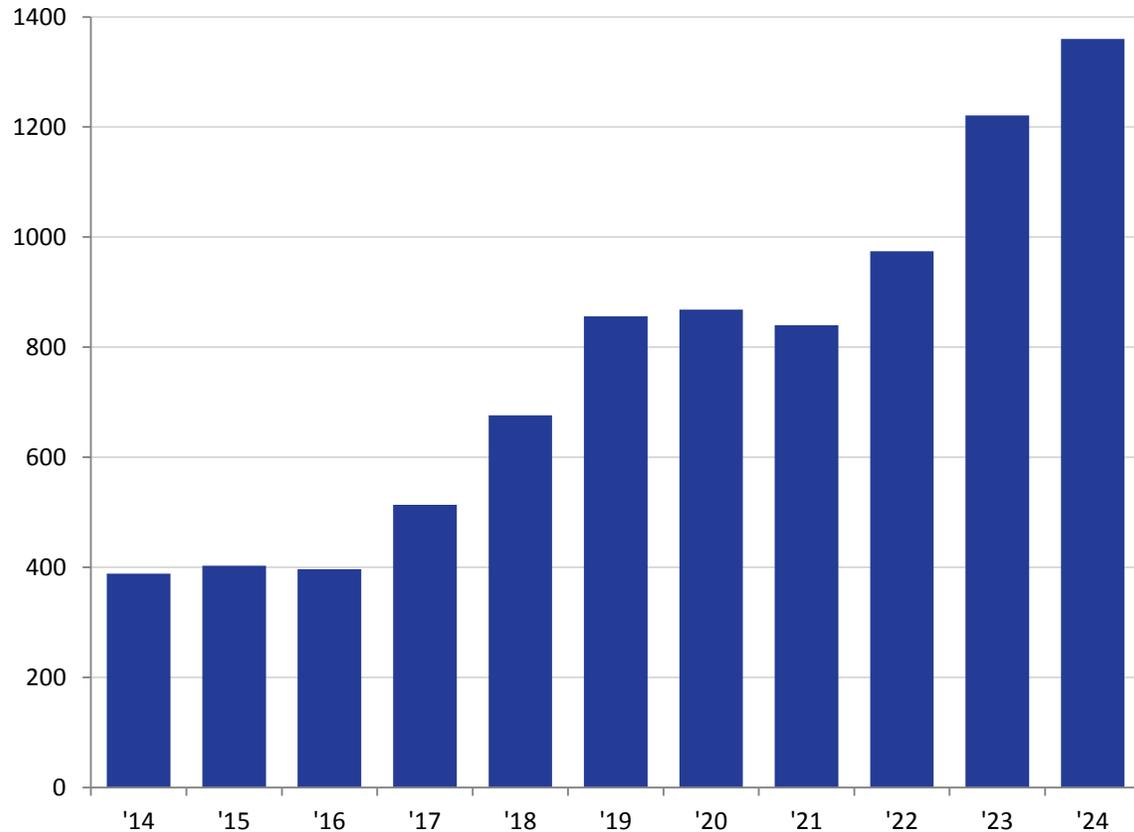
In-year efficiency targets are expected to peak in 2024, after this date we expect the efficiency challenge to be much reduced.

Future achievable efficiencies are based on a continued partnership between IW and LAs and are delivered across a number of areas.

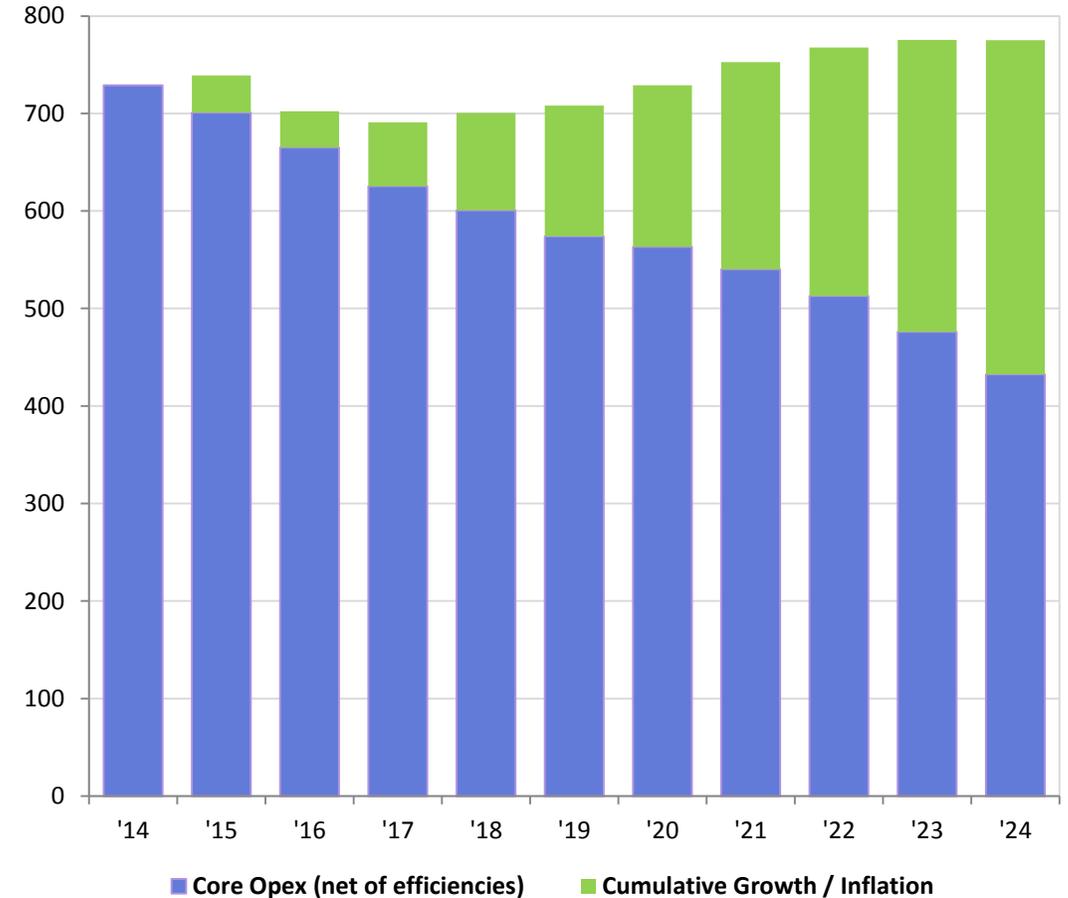
Risk to future funding

The expected efficiencies are needed to fund growth and activity driven by the Capital Investment Plan

Capex spend by year (excl. metering) (€m)



Core Opex spend by year (€m)



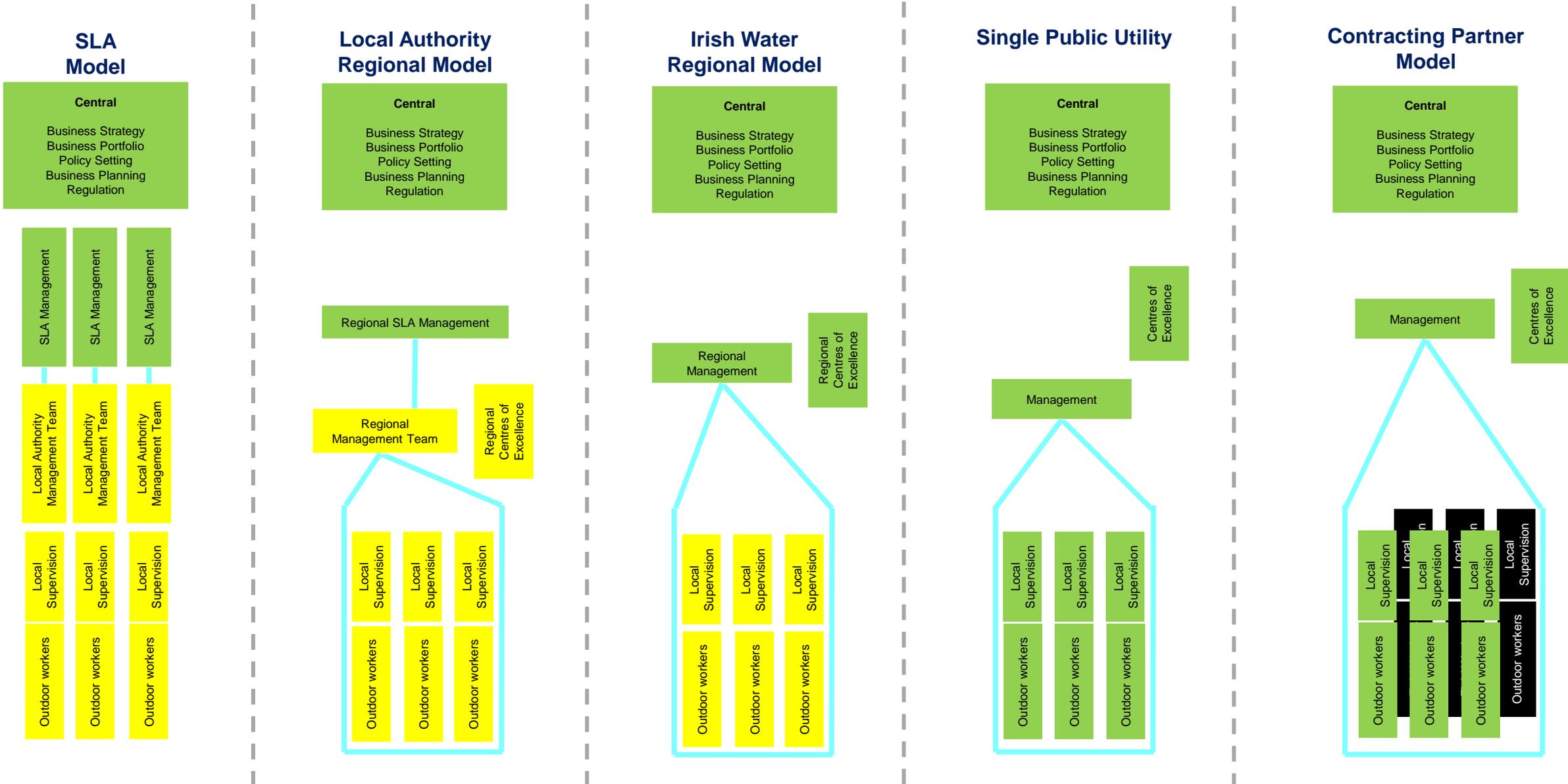
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**What options did
we look at?**

The operational models considered

Key

- Irish Water
- Local Authority
- Strategic Partner



Evaluation of operational models

- Criteria will be achieved
- Criteria achievable but with significant challenges
- Criteria very difficult and/or complex to achieve



	SLA Model	Local Authority Regional Model	Irish Water Regional Model	Single Public Utility	Contracting Partner Model
<u>Strong governance with clear accountability and control:</u>					
- Alignment of responsibility, authority and accountability for operations and all water services activities	●	●	●	●	●
- Ensure there is an aligned national vision for water services	●	●	●	●	●
- Ease of implementing effective regulation (economic, environmental and technical)	●	●	●	●	●
- Minimise risk to services	●	●	●	●	●
<u>Deliver improved customer service:</u>					
- Improving water service quality is a singular focus for management to deliver	●	●	●	●	●
- Ability to provide improved and consistent levels of service for customers	●	●	●	●	●
- Effective in servicing local needs and requirements	●	●	●	●	●
<u>Staff:</u>					
- Ability to attract and retain appropriate skills and know how in the sector	●	●	●	●	●
- Ability to upskill employee base and provide centres of excellence across water services	●	●	●	●	●
<u>Deliver financial efficiencies:</u>					
- Ability to deliver efficiencies and cost reductions	●	●	●	●	●
- Ability to achieve economies of scale	●	●	●	●	●
- Ability to be comparable with international benchmark standards	●	●	●	●	●
<u>Speed of transformation:</u>					
- Ability to implement change in a timely manner	●	●	●	●	●
- Ability to standardise the ways of working	●	●	●	●	●
- Capability to standardise technology nationally	●	●	●	●	●
<u>Implementation considerations:</u>					
- Ease of implementation	●	●	●	●	●
- Engagement with external stakeholders	●	●	●	●	●

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**What are we trying
to achieve?**

From

31 Local Authorities +
Irish Water

Complex joint
organisational structure

Multiple ways of working

Cost recovery SLA

No national line of sight to
customer service, staff,
assets, service delivery

Inconsistent customer
experience nationally



To

One single, integrated water
services authority

Streamlined organisational
structure

Single way of working

Business Plan delivery

Direct oversight of customer
operations, staff, assets &
service delivery in time

Consistent standard of
customer service

A national water service

Overview

A united water services industry, building on the skills of staff, working together to deliver excellent customer service to all

Customer

Using modern, standardised, single ways of working and technology to provide consistent customer service

Community

Local service delivery to our communities is at the heart of local authorities and Irish Water is committed to continuing that proud tradition

Planning

Bringing together our collective knowledge and talent so that we can plan nationally and regionally to support Ireland's infrastructure and growth

Staff

We want to establish a specialist water industry with supported career structures, investing in staff training and skills, developing centres of excellence and apprenticeship & graduate programmes

Terms and conditions

The terms and conditions of employees, including pensions, are protected by water services legislation

The SLAs have served us well but we have gone as far as we can with them

We considered a number of alternatives and concluded that the single public utility is the best solution for all – for Ireland, customers and staff

We value and want to continue local service delivery

We want Local Authority staff to want to come to Irish Water; and to be a part of building and delivering a national water service for Ireland

We want to achieve this through the ongoing process with the support of the WRC