

CHAPTER 14

Summary of conclusions

Following (in the same order as the chapters of the report) is a summary of those conclusions on matters where we have criticised the practices and procedures or the performances of the four boards, or the industry's arrangements or procedures; or where we have made recommendations or suggestions for changes or improvements. There have in addition been occasions when we have commended or endorsed the boards' or the industry's performances or arrangements; these will be found in the relevant chapters or in the conclusions at the end of those chapters.

<i>Item number</i>		<i>Paragraph number(s) in the report</i>
1	The boards have not prepared flow charts to illustrate the practices and procedures used to collect revenue. They can benefit, individually and collectively, from a systematic examination of such detailed information.	4.57
2	The boards should keep under regular review the frequency with which meters for quarterly customers are read, together with the 'must-be-read' arrangements.	4.58
3	We are not convinced of the justification for the many differences in practices and procedures in revenue collection which exist between the four boards.	4.59
4	The Electricity Council and area boards should take steps to ensure that differences in practices and procedures in revenue collection are systematically identified and analysed on an industry-wide basis.	4.60
5	We believe that that will in many cases highlight best or improved practices. All boards should then be asked to make the appropriate changes. If after a two-year period inadequate progress has been made in achieving standard practices throughout the industry, the Secretary of State should consider strengthening the formal powers of the Electricity Council in relation to the area boards.	4.61
6	The Boards should set cost control objectives and monitor performance against them on a more detailed basis than they do at present.	5.55-5.56
7	The more detailed allocation of costs which would then be required needs to be standardised as between the boards.	5.57
8	Each Board should, if it has not done so already, set a quantified cost objective for revenue collection as a whole. The medium-term objective should be to achieve continuing cost reduction in real terms.	5.58

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9	The Boards should be made aware of any difficulties in meeting cost objectives because of the need to maintain or improve the standard of service to customers.	5.59
10	NEEB and SEEB should set up an Audit Committee or similar body to look more deeply into particular problems or important cases of continuing poor performance.	5.60
11	Some costs not at present allocated to the heading 'meter reading, billing and collection' should be allocated to revenue collection, so that the published accounts can show more accurately the true costs of collecting revenue.	5.61
12	The industry should consider further whether certain overheads should also be allocated to revenue collection.	5.62
13	If the recommendation in paragraph 5.61 (see item 11 above) is implemented and the boards can allocate costs consistently, the wider coverage of the costs of revenue collection should be used by the Boards for cost control and also for the inter-board comparisons prepared by the Electricity Council.	5.64
14	The industry has well-developed machinery for negotiation and consultation, which it says has contributed to good industrial relations. However, we gained the impression that there was scope on occasion for a more positive and energetic approach to questions of productivity and the use of manpower.	6.35
15	EMEB should ensure that the steps it is taking to reverse the upward trend in the number of staff employed on revenue collection are effective.	6.36
16	Efforts should be made to improve the guidance given by the Electricity Council to boards on the allocation of manpower, so that staff can be more precisely allocated to the different activities within revenue collection.	6.37
17	The industry should apply nationally defined criteria and procedures for the grading of some posts for staff engaged in collecting revenue.	6.38
18	The boards should review their standards for meter-reading performance, including walk orders, more frequently and systematically.	6.39
19	For monitoring the performance of meter-readers, the boards should develop simple indicators such as the number of meters read per man per day.	6.40
20	The output of all grades of non-industrial staff should be measured. All boards should seek to maintain performance at 100 BSI or equivalent standard.	6.41

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21	As suggested for meter-readers (see item 19 above) the boards should develop performance measures related to output or work done for their non-industrial staff. In both cases they should work in co-operation with the Electricity Council.	6.42
22	Where the arrangement does not already exist, the management services unit in each board should be directly accountable to the Deputy Chairman, and should be responsible for the review of existing management systems and of established standards. Such reviews should be carried out systematically, according to a formal, planned programme agreed with line management.	6.44
23	It is unsatisfactory that there is so much variation between boards in the amounts and types of performance indicators or measures used for the management of revenue collection. There should be much more consistency between boards than exists at present.	7.42-7.43
24	Inter-board comparisons of performance based on broad indicators may need to be followed up by much more detailed study and comparisons. But it is important that that work should be part of, and not an alternative to, the central drive towards standardisation which we have recommended (see items 4 and 5 above).	7.45
25	For the purposes of more detailed cost control and inter-board performance comparisons, it is essential that the Electricity Council and area boards agree precise and detailed methods of cost allocation, which the boards should then implement.	8.53
26	The detailed comparisons of the board's costs of collecting revenue have demonstrated the need for the Boards themselves to control those costs in more detail than they do at present.	8.54
27	The Boards should use the same key performance indicators for controlling the costs of revenue collection, based on annual per customer costs for each of the main activities.	8.55
28	The existing inter-board performance indicator for total revenue collection costs should be supplemented by the more detailed unit costs recommended for use by the Boards themselves as key performance indicators (see preceding item).	8.56
29	The Electricity Council should set cost improvement targets for the purpose of improving the performance of all boards, particularly those with the higher costs.	8.57

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30	As part of their development of performance indicators, boards should make greater use of indicators relating costs to output or work done. Efforts should continue to devise means of allowing for the effects of demographic and geographical differences between boards on their comparative cost levels.	8.58
31	SWEB should bring its quarterly meter-reading costs much more closely in line with those of NEEB.	8.59
32	EMEB expects to discontinue its second call for quarterly readings. We endorse that decision.	8.60
33	The other three boards should discuss with EMEB whether there are ways in which they can match its lower cost for pre-payment collection.	8.61
34	The boards should contain their billing costs in real terms.	8.62
35	EDP costs should be included in calculations of per customer unit costs.	8.63
36	SWEB should bring its costs of normal collection more into line with NEEB's.	8.64
37	The boards should aim to reduce their overdue collection costs to the level of the lowest amongst them.	8.65
38	The boards should develop their use of unit costs for meter-reading at district/area level, as aids to management in comparing and improving performance.	8.66-8.67
39	The boards should continue to develop payment schemes, but they need to appraise these schemes carefully.	9.45
40	If they are not doing so already, the boards should identify persistently slow payers. They should work with the Electricity Council to decide how best to encourage earlier payment from such customers.	9.46
41	The boards may incur additional costs from taking into account social considerations. Arrangements should be made to identify such costs, to avoid slippage in control of other costs of overdue collection.	9.47
42	We can see no justification at all for the variations in the boards' procedures and practices for investment appraisal.	10.43
43	All boards should follow the Electricity Council's guide on investment appraisal, which can be improved in a number of respects. The boards should ensure that the guide is understood by and available to all staff involved in investment appraisal. The Electricity Council should undertake more active advice and instruction on investment appraisal.	10.44

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44	The boards and the Electricity Council should agree on the guidance to be provided to boards on the assumptions to be made about inflation as part of investment appraisals.	10.45
45	The Electricity Council's guidance on priority rules for choosing between investment schemes should be amended.	10.46
46	The Electricity Council's guidance on the use of sensitivity analysis should be modified.	10.47-10.49
47	The Electricity Council's guide should say that alternatives to the preferred proposal should be presented on paper to the officer and Board authorising the investment.	10.50
48	SWEB should realise the full potential benefits from its investment in IBS. Its post-investment appraisal should be made available to the Secretary of State for Energy.	10.52
49	NEEB should do more to present on paper to its Board members the arguments supporting conclusions in its investment appraisals.	10.53
50	Boards should set limits on expenditure that may be incurred for new types of meters before full investment appraisals are completed.	10.54
51	No useful purpose would be served by the boards' attempting to measure accurately, on a routine basis, the staff time and cost involved in giving advice or answering queries in connection with revenue collection. But the boards should continue to satisfy themselves that additional costs for these activities are justified on efficiency grounds.	11.42
52	We hope that continuing efforts to improve the statistics of customer complaints will make them more useful as indicators of customer satisfaction with the operation of revenue collection systems by the boards, and with the advice given on revenue collection matters.	11.43
53	The boards should do more to explain to customers what the standing charges represent. There should be regular reports by the boards' external auditors on the basis adopted both for the yardsticks on which the standing charges are based, and for the periodic adjustments to the yardsticks. These reports should be published.	12.33
54	The industry should act in unison both on the ultimate appraisal of its investment in major new metering technology, and in the implementation of the decisions reached as a result of its appraisal.	13.37

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in the report*

- 55 Changes in the revenue collection system should be checked to ensure that they are likely to be cost-effective within the limited time-scale remaining for present methods. This applies especially to the meters themselves. There are important implications for the numbers of meter-readers that the boards will need.
- 56 The boards should achieve greater consistency in their practices and procedures in revenue collection so far as the use of computers is concerned, in order to avoid so far as possible impediments to the introduction of new metering technology because of the different positions in computing that each board might otherwise have.

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26 November 1984