

Canal & River Trust

Efficiency Report

November 2013

Introduction

The CRT Internal audit report number 746 dated 28 May 2013 considered the Trust's strategy and recent achievements with regard to efficiency improvement along with a brief outline of ongoing and planned future efficiency improvement projects. This paper updates that report with the focus being on major projects and initiatives rather than the detail of each and every efficiency related action.

The relentless pursuit of efficiency improvement is an established approach and ongoing state of mind throughout the Trust and in fact predates its formation. Publicly we describe this as "*constantly challenging the cost base*" but our approach is much wider than merely seeking cost reductions. There is a fundamental understanding and acceptance of the need to constantly demonstrate value for money because this is part of being a successful and sustainable business that will enable the delivery of our charitable objectives. It is also an explicit strategic priority to consistently increase the percentage of steady state expenditure towards 100% and to reduce the percentage of D & E graded principal assets. The route to increasing the steady state percentage spend is to enhance income, improve cost efficiency or a combination of both.

In the period 2008 – 2011 much was achieved in reducing centralised and support costs from a variety of sources and projects some of which were of a relatively low value, but nonetheless important as they set the tone for the organisation. Having completed most if not all of the early phase projects our focus now is on more difficult and significant issues and these are largely in the Operations area of the business. This report considers current and ongoing initiatives in three groups:

- Operational delivery
- Energy Efficiency
- Other projects

Where historical financial comparisons are made the figures have been adjusted to exclude costs associated with the former business of British Waterways in Scotland so as to enable an accurate comparison with current costs.

Operational Delivery

Much was achieved in the early stages of our efficiency improvement work from 2008 onwards to reduce costs in the non-operational areas of the business so that money could be redirected towards canal maintenance and repair activities so enhancing the steady state expenditure total. In more recent years the focus

has turned to improving productivity by achieving more with the same, or in some cases less, resources in the Operations area itself. The nature of the Operations area often means that the most appropriate course of action is to run a pilot in one Waterway area and then to roll this out across all Waterway units once proven. We have done this repeatedly. The most notable efficiencies that have been implemented are

- Annualised hours for Operations personnel. For customer responsive staff, winter working hours will be reduced and summer hours increased. The opposite is true for construction-focused staff. This more accurately balances supply and demand reducing the need for overtime working.
- Expanding the extent of summer construction works where possible to exploit the better weather conditions, longer daylight hours and contractor availability. In the summer of 2013 some £7m of major works were completed without a detrimental impact upon our customers.

Attention is currently focused on the following major projects that will all yield significant operational efficiency savings:

- Canal dredging disposal options
- Mobile working and control centre
- Bridge automation and remote control

Dredging

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Mobile Working

The business uses sophisticated task planning and control software in SAP. This has currently unutilised capabilities for directing work and priorities on a more immediate basis to dispersed operational teams through mobile devices. These will also be used to capture task completion data and upload this to our central systems automatically. Such mobile working could be implemented within the operating structure that we currently adopt. Commercially confidential material removed

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Energy Efficiency

Electricity

The Trust's Green Plan has energy efficiency at its core as we seek to reduce our carbon emissions by 25% (based on the 2009 baseline) by the end of 2015. 79% of our 31,000 tonne CO₂ emissions baseline is accounted for by electricity consumption and this has naturally caused us to focus in this area. In 2008/09 we consumed 33 GWH of electricity and had reduced this by 21% to 26 GWH in 2012/13. The significant energy price increases over this period have though offset, in cash terms, the reduction in consumption.

We have achieved this with a range of projects including:

- Installation of smart meters to accurately record and report consumption – 90% of total consumption is now through a smart meter
- Implementation of software to enable analysis of smart meter data to direct energy reduction attention
- Awareness building across the business through the sharing of accurate and incisive data
- £1.1m expenditure on energy efficiency measures applied to 239 operational buildings including insulation, heating, lighting and power management systems
- Installation of variable speed drives on canal water pumping stations
- Installation of solar generating capacity to deliver 12% of the consumption at the Caen Hill water pumping station - the highest electricity consuming pumping station on the network.
- Installation of motion detecting lighting systems in CRT offices

Attention is now turning to the following projects:

- A wind power pilot at three locations which will include powering the safety and security lighting system at the port of Sharpness
- A trial of LED lighting on one floor of the Leeds office which will reduce like for like consumption by in excess of 60%. A success here, measured in terms of functionality and an acceptable working environment, will result in a roll out to other CRT owned office premises.
- Installation of smart meters for gas consumption though at around £200K pa the cost of this is significantly lower than for electricity.

Business Mileage

Commercially confidential material removed The reduction in mileage travelled has been achieved by the initiatives listed below and continues to be targeted for further reductions in both mileage and carbon emissions

- An expansion of the Video Conference system to eliminate the need to travel in some cases. All Waterway offices have at least one video conference screen.
- Adopting an on-line travel ticket system which charges the cost direct to the company so providing both a lower emissions alternative and a cash

flow incentive to employees who need to travel. This system also reduces back office transaction processing costs and headcount

- Rigorously collecting mileage data through the expenses system and reporting this regularly to give clear visibility to senior managers of mileage being driven by their team members
- Installing a GPS tracking system in all commercial vehicles. This is being used where possible to improve task allocation to reduce distances travelled. It is also being used to identify inefficient driving styles and behavior so that corrective measures can be taken. Reducing speed and improving driving styles will reduce the annual fuel cost by 10 – 15%
- Revising the approved company car list and reducing CO₂ eligibility limits by approximately 25% for all employees thus ensuring that cleaner and more fuel-efficient vehicles are selected. New employees can now only choose a vehicle with a CO₂ level of up to 110g/Km. The Trust company car fleet now has an average CO₂ level of 124.5g/Km. This will reduce further in the coming year to around 115g/Km.

Other Projects

It is not the intention in writing this report to list every cost saving or efficiency enhancing project or initiative that has been undertaken. However, the following are perhaps notable examples of the variety and range of projects that have and continue to deliver efficiency savings

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- Exploiting cost effective digital technology with mobile applications to enhance information services to customers and also to enable staff and volunteers to collect and record valuable business data on diverse subjects such as boat licences and hedgerows.

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- Reduction in the number of executive directors to a team of 5 from the start of 2014.

Conclusion

A great deal has been achieved across the business though our constant drive to challenge the cost base.

There is though more to be achieved. The projects though become more substantial and demanding to deliver but there is a level of commitment and an

approach that will ensure that we deliver these efficiency improvements in a controlled and risk balanced manner to sustain the work of the Trust.

Ian Jarvis
November 2013

