
Yorkshire Water Services Limited announces results for the year ended 31 March 2011.

Financial highlights

- Operating profit before exceptional items is £319.5m (2010: £376.3m). The reduction is attributable to increases in operating costs in the areas of non domestic rates, the bad debt charge, pension costs and additional costs to fund improvements in leakage performance.
- Turnover reduced by £2m to £867.4m and was impacted by the negative “K” factor of 1.2% in the year.
- £5.9m operating costs relating to the severe winter weather have been classified as exceptional costs.
- We successfully delivered £300.3m of capital expenditure and are on track to deliver our capital expenditure target for AMP5.
- At 31 March Yorkshire Water’s Regulated Capital Value was £4,924m.

Overview of business performance

Yorkshire Water demonstrated real resilience in 2010/11 as the company effectively managed and overcame a number of significant operational, environmental and financial challenges.

A dry summer, followed by one of the longest and coldest winters on record, led to unprecedented levels of operational activity with colleagues literally working round-the-clock to protect customers’ water and sewerage services, whilst minimising the impact of our activities on the environment.

These severe weather events were the first real test of the new organisational structure we implemented in 2009/10 with the aim of delivering a step change in our performance in AMP5.

The new organisational structure served us well, ensuring our response to these events was measured, controlled and had a minimal effect on customers’ services.

Despite hosepipe bans being introduced in other parts of the UK, there were no restrictions on customers’ water supplies in the Yorkshire region in 2010/11.

During the prolonged period of cold weather which gripped the region over the winter, fewer than 10,000 customers had their water supplies interrupted for more than 12 hours as a result of problems with our pipes and treatment works, less than 0.5 per cent of our 2.3 million customers.

Another benefit of the new organisational structure is that it has allowed the business to recover quickly from these events and we have already renewed our focus on delivering operational excellence in everything we do.

Operational excellence remains key to our success and the future growth of our business.

Operational excellence

In October 2010 we were informed by Ofwat that our leakage target for the previous year 2009/10 had been revised from 297MI/d to 275MI/d. We had out-turned at 294MI/d.

At the same time, Ofwat also announced that the serviceability of our water network had moved from 'stable' to 'marginal', largely as a result of an increase in the number of mains bursts and DG3 interruptions to supply lasting longer than 12 hours.

In response, we announced plans to invest an additional £33m to address these issues.

The plan involved more than doubling the resources available to find and fix leaks, adopting a more proactive approach to pressure management and the roll-out of an extensive mains renewal programme to replace some of our oldest underground water mains.

Within a month we began implementing the plan with a view to reducing leakage to 297MI/d by the end of the financial year. However with the cold winter weather of 2010/11 turning out to be even worse than that of the previous year, we finally out-turned at 325MI/d.

Best customer experience

In October 2010, Ofwat published its levels of service report for 2009/10 which confirmed that, once again, we had the lowest levels of written complaints of any of the water and sewerage companies

Our performance in relation to Ofwat's new Service Incentive Mechanism was also good, with our aggregated qualitative score for 2010/11 being 4.36, which ranks us second out of the ten water and sewerage companies and seventh out of all 21 companies (including water only).

Compliance

2010/11 was yet another year-on-year improvement for waste water treatment works compliance. Three of the four quarters saw us record our lowest number of determinand failures ever. Two waste water treatment works failed their numeric consents in 2010.

Water quality in Yorkshire remains extremely high. Mean zonal compliance for 2010, which measures compliance with 39 water quality standards at customers' taps, hit our year end target with excellent performance.

In November 2010, Yorkshire Water officially launched its £110m programme of investment to not just meet but exceed the requirements of the Revised Bathing Water Directive. The company has created a new partnership board consisting of representatives from the Environment Agency, Welcome To Yorkshire and several local authorities. In May 2011, Keep Britain Tidy announced that the number of East Coast resorts in Yorkshire achieving the coveted European Blue Flag had risen from four in 2009/10 to five.

Richard Flint, Chief Executive of Yorkshire Water, said

“Yorkshire Water performed extremely well in the face of some significant challenges in 2010/11, which is testimony to the skill and commitment of our colleagues and contract partners. They pulled out all the stops to minimise the impact of the weather on our customers' services and worked effectively with external agencies throughout.

We have developed robust plans to address those areas where our performance can be improved and 2011/12 will be all about delivering these. Leakage reduction will be a particular focus for us.”

ENDS
