

Yorkshire Forum for Water Customers PR24 Statement Summary October 2023

The Yorkshire Forum for Water Customers (Forum), under the guidance of its Independent Chair, Andrea Cook OBE, has continued to support and challenge Yorkshire Water in managing its business in the best interests of its customers for over 10 years. The Forum's role is to understand the challenges Yorkshire Water faces when providing services within the economic framework and regulations set by Ofwat, the water industry regulator, alongside other bodies such as the Drinking Water Inspectorate and Defra. The Forum meets monthly and comments on the company's business plans and express views about key policy and operational issues and priorities.

In preparation for the next price review, the Yorkshire Forum for Water Customers (Forum) has challenged Yorkshire Water on behalf of Ofwat to ensure its business plan fairly reflects customers' views gained from quality customer engagement and that it is delivering on its performance commitments for the period 2025 to 2030. The research, partly developed by Ofwat, and undertaken by Yorkshire Water, has focussed on customers' immediate and long-term priorities, affordability, and willingness to pay, as well as determining the level of acceptability for the final plan. The Forum has been engaged throughout these developments and discussions, providing continuous scrutiny and challenge.

The Yorkshire and the Humber region has faced significant political, social, economic, and operational challenges since the last price review in 2019, which have impacted negatively on the perceptions of the water industry by customers and stakeholders, both regionally and nationally. These events include the COVID-19 pandemic in 2020, water shortages in 2022, the current cost-of-living crisis, and ongoing concerns about river water pollution, all of which have led to increased scrutiny from the media, regulators and customers. More recently these have resulted in commentary on the financial resilience of the sector. The Forum continues to challenge Yorkshire Water in achieving a high level of performance whilst being mindful of the potential bill impacts on customers from addressing the company's contribution to these problems.

Despite the operational challenges faced by Yorkshire Water, the Forum has been encouraged by the company's response to the ongoing cost-of-living crisis; particularly with regard to the steps taken to increase the eligibility for its WaterSupport and WaterSure schemes. Whilst these are a step in the right direction, the Forum feels that more could be done to support greater numbers of customers in need and that a national social tariff would be a better solution.

The Forum has also challenged Yorkshire Water on enhancing its communication and engagement with customers and stakeholders. Transparently sharing information about the steps being taken to mitigate the impact of external events, such as water shortages, and pollution concerns, can help to rebuild trust.

To better understand the needs of this diverse region, the Forum has been actively involved in challenging and supporting Yorkshire Water in its ongoing customer insight and engagement activity. The Forum believe engagement should be ongoing and not undertaken specifically for the price review process, and that it should inform day to day business decisions, which protect customers from service failures or financial distress. The Forum continually challenged Yorkshire Water to engage with a representative sample of the region's population to ensure insight and feedback has been both robust and legitimate.

Yorkshire Water has continued to undertake a programme of customer engagement activity which has explored, tested and evaluated the key themes of Ofwat's business planning framework – customer service, affordability, resilience and long-term planning – from multiple perspectives across its diverse customer and stakeholder base. However, the Forum recognise that the research programme is not as extensive as that of previous price reviews due to the introduction of the Ofwat/CCW industry collaborative research programme. The Forum challenged Yorkshire Water to ensure that the research programme remained accessible and inclusive to all customers. The company responded positively to these challenges for example, ensuring that views from customers in marginalised communities were represented in the research.

From the outset, Yorkshire Water has regularly engaged the Forum on progress with the development of the prescribed research methodology set out by Ofwat. Both Yorkshire Water and the Forum raised concerns as to the approach since Ofwat were prescriptive about the complexity of both design and execution. Yorkshire Water has consistently produced high quality research to support previous price reviews and only undertakes meaningful research with its customers to inform its plans and it raised its concerns about the limited scope of the research and the volume of information required to present to customers. The Forum supported Yorkshire Water in undertaking its own research with customers which complements the Ofwat collaborative activity and expect this to be fairly reflected in its business plan.

There has been significant media coverage and political scrutiny throughout 2022 and 2023 of water companies' poor environmental performance, in particular storm overflow pollution into rivers and inland & coastal bathing waters. Yorkshire Water's performance has also been under question in this context. The Forum has challenged the company on its current environmental performance and questions whether enough is being done, and quick enough, to improve its position. This is despite the plans for a significant uplift in investment required from customers to deliver its environmental obligations between 2025 and 2030.

The Forum has also challenged the company to ensure the needs of the most vulnerable customers were heard and are satisfied that the company engaged with customer representative bodies, such as debt, mental health, and age and mobility charities. With the cost-of-living crisis at the forefront of many minds and an expectation that this will get worse over the next 12 months, the Forum has asked the company to consider the potential increase in the numbers of customers who will be seeking financial help from Yorkshire Water in the near future. The Forum challenged the company on the level of contribution it provides to its social tariff scheme and welcomed the steps it has taken to increase its overall company contribution for the period 2025 to 2030.

The Forum believe that Yorkshire Water recognises and acts upon its responsibilities towards customers experiencing financial difficulties and has a wide range of schemes that provide help. The Forum expect Yorkshire Water to continue to identify and meet the needs of customers struggling to afford to pay their bills and welcome the range of services that the company provides. However, the Forum also challenge the company to improve overall awareness of these schemes.

The Forum also challenged Yorkshire Water on its future debt profile. The company presented its forecasted debt maturity model up to 2040 and provided an overview of how it intends to manage this over the period 2025 to 2030. Whilst the company has secured a plan for the repayment of loans, it will still require additional funding to support its capital programme, including storm overflow investment and any early start programmes ahead of 2025.

The Forum has engaged with Yorkshire Water to ensure it responds to customer preferences and priorities in developing its business plan, but at the same time not leaving itself vulnerable to setting unachievable performance commitment targets. The size of the statutory investment programme presented to the Forum has been considerable, mainly driven by the need to deliver the company's environmental legal obligations. In its discussions with Yorkshire Water, the Forum has been keen to explore if the proposed business plan is credible, financeable, affordable, and deliverable, consistent with the aspirations of the Board.

The company has acknowledged that performance standards have fallen short over recent years in areas such as pollution, sewer flooding and unplanned water interruptions. The Forum has challenged the company on how it intends to achieve its forecast performance commitment position by 2024 and has questioned the company's ability to fund and deliver this level of improvement.

Whilst the Forum recognises the efforts Yorkshire Water has made to be more transparent in its financial reporting over recent years, it has challenged the company to produce much more simplified and clearer financial reporting for public use. The Forum believes this would help mitigate against negative public perceptions of water sector finances such as Director's salaries, profits, and dividends.

In the run up to PR24, the Forum has expressed concern about the level of engagement it has had with Yorkshire Water, particularly on topics such as environmental outcomes. There are some areas which the Forum has had extensive scrutiny of in previous price reviews, such as the environmental programme, but this has been much less so in the run up to PR24. In part this has been due to the Forum having a more in-depth role on matters related to customer engagement and research in order to provide assurance on these to the Board of Yorkshire Water. However, following recent engagement with the Yorkshire Water Executive team, the Forum is encouraged that there will be improved engagement more generally moving forward. The Forum cannot provide full assurance about the content of the PR24 business plan, but it has looked at whether the approach taken to arrive at the outcome is robust, fair, evidenced-based, and balanced and reflects the priorities of Yorkshire Water's customers and can confirm that it is.

The Forums appetite for delivering what customers want at a price they can afford remains and we will continue to challenge Yorkshire Water to ensure it promotes a company-wide culture that puts customers at the heart of the business.

Contact Us

If you would like to discuss the topics covered in this statement with the Forum or require further information, please email theforum@yorkshirewater.co.uk or visit <https://www.yorkshirewater.com/about-us/yorkshire-forum-for-water-customers/>