

Annual Performance Report Board Statement

Published July 2020



YorkshireWater

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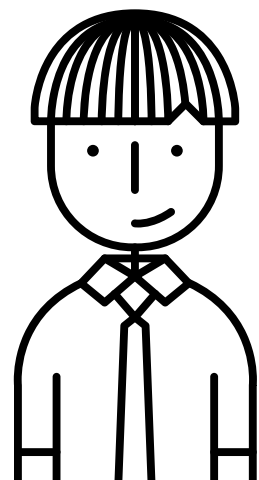
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1. Board assurance statement

Board assurance statement

Our aim is to produce an Annual Performance Report that covers the key information that our customers and stakeholders have told us they want to see and are interested in, while also meeting the requirements of our regulator, Ofwat.

We believe that good assurance needs to be provided at the right time, proportionate to the level of risk identified, asking the right questions and producing good evidence to support the statements made within this report. Our assurance approach is risk based (this means that we place more focus in areas that are higher risk) and uses a method called 'three levels of assurance'. The first level of assurance is from management controls in our front-line operations which measure performance throughout the year. The second level of assurance consists of line management reviews and reviews by oversight teams with specialist knowledge such as our finance, regulation and legal teams. The third level of assurance is provided through independent assurance which includes our Internal Audit function and external auditors. This approach is best practice and is described in more detail later in this report, in our Assurance Plan and in our Data Assurance Summary.

To satisfy ourselves that the information is accurate and accessible, all elements of the report are subject to an appropriate assurance process. In particular:

- Our assurance processes for annual reporting are certified to the British Standard ISO9001:2015 Quality Management System. This is best practice and externally verified.
- The assurance process includes checks and reviews of data throughout the year then additional audit checks and challenges by Data Providers, Data Managers, Senior Managers and Directors ahead of publication. The assurance process also includes review and challenge by our financial auditor, Deloitte, and our technical auditor, Jacobs. We have reviewed and actioned all findings from these assurance processes.
- We have worked with the Yorkshire Forum for Water Customers, and listened to customer's feedback, to ensure we meet our ambitions for a document that is accessible for all customers.
- The outputs from the assurance processes have been reviewed and challenged by the Board Audit Committee.

The Company is required by the terms of the Instrument of Appointment to prepare regulatory accounts for each financial year in accordance with Condition F of the Instrument of Appointment and the Regulatory Accounting Guidelines. In preparing the regulatory accounts, the Board ensures that appropriate accounting policies have been adopted and applied consistently, that applicable standards have been followed and that reasonable and prudent judgements and estimates have been made.

The Board confirms that the APR sets out how the regulatory accounting statements have been completed in accordance with the Regulatory Accounting Guidelines.

So far as the Directors are aware, there is no relevant audit information of which the company's independent technical and financial auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the company's independent auditors are aware of the information.

The Board of Yorkshire Water understands that it is accountable for the quality and transparency of the information provided within this report. The Board has read the report, reviewed the content and owns the information that is presented. The Board has obtained comfort from the Board Audit Committee that there are appropriate controls and assurance processes in place regarding the information contained within the report.

The Board Audit Committee reviewed the processes and approach to delivery of the APR on 25 March 2020 and then reviewed the completion of the process, including receiving the assurance findings from the independent financial auditor and the independent technical auditor, on 8 July 2020. At these meetings, appropriate enquiries were made on the executive team and the relevant experienced members of staff involved in delivering the APR, in particular the Director of Strategy and Regulation and also the independent financial auditor and the independent technical auditor. In between these meetings, the Board members were provided with draft versions of the developing report and have been able to review and provide comment.

At the Board meeting on 8 July 2020, following feedback from the Board Audit Committee and having made reasonable and relevant enquires, the Board considers that there are appropriate systems, controls and assurance processes in place regarding the information contained within the report. At the Board meeting on 8 July 2020, the Board approved the APR, including the wording of this Board Assurance Statement, and approved the release of the APR for publication. The Board authorised the Company Secretary to sign this Board Assurance Statement on behalf of the whole Board.



Kathy Smith,
Company Secretary

Signed for and on behalf of
the Board of Directors of Yorkshire Water

2. Board statement on company performance and direction

Board statement on company performance and direction

Our 5 million customers who live in Yorkshire, and the millions of people who visit Yorkshire each year, rely on our services for their basic health and lifestyle. Approximately 140,000 businesses use the water we supply to provide goods and services that support the economy - not only in Yorkshire, but across the United Kingdom, and beyond.

This statement shows how our Board sets and reviews our ambitions and targets so that we deliver our goods and services for all our customers and stakeholders (those with an interest in our business) who depend on Yorkshire Water. Within this statement, we also provide information on the relationship between our financial performance, rewards for our executives and how we deliver our services.

This statement has the following sections.

- How we set our ambitions
- How we monitor performance and make decisions
- How we involve our customers and stakeholders
- How we change and update our commitments
- How we have performed in 2019/2020
- How we balance the relationship between financial performance, rewards for executives and delivering our services.

How we set our ambitions

The water industry works in five-year asset-management periods (AMPs). One of the main aspects of the regulatory framework that supports this five-year planning cycle is called the price review. The price-review process sets the prices we charge, investment we make and services we provide to customers in each AMP. We have just started asset-management period 7 (AMP7), which covers the period from April 2020 to March 2025.

In 2018 we published our plan for AMP7, setting out how we proposed to maintain and improve water and wastewater services in Yorkshire to ensure resilience and sustainability for the short and long term; all at a fair and affordable price to customers in their water bills. We built our plan having engaged with our customers and regulators to understand their priorities. We used the feedback we received to define our big goals and to develop measures that support these goals.

These are known as our performance commitments and these are our promises to you. There are 43 performance commitments in AMP7. We will first report on these in our new quarterly performance report, which will be published in September 2020. The annual performance report of July 2021 will provide performance against the first year of these new performance commitments. You can find our plan for AMP7 at: yorkshirewater.com/ourbusinessplan

It is Ofwat's role, as economic regulator to review the five-year plans prepared by English and Welsh water companies and provide a Final Determination that sets the revenues and service levels for each company for the next five years. In early 2020 we asked Ofwat to refer their final position on our plan to the Competition and Markets Authority (CMA) to carry out a redetermination. We did this because our assessments showed that Ofwat's proposals would not enable us to ensure resilient and best value services for customers in the short and long term. Three other water companies also took this step. The CMA has started their review and has confirmed this will conclude in 2020/2021. In the meantime, we will continue to deliver our plan in line with Ofwat's requirements.

As well as delivering against our regulatory performance commitment targets, we must keep to a range of legal obligations and broader duties to customers, the environment and other stakeholders. You can find more details of how we identify these requirements, and manage the risks of keeping to them, in our risk and compliance statement.

Throughout 2019/2020, we have taken the opportunity to re-set our company purpose, ambition and behaviours to prepare us for the new five-year period and for a period of business transformation. We have spent a lot of time talking to customers and colleagues about what that sense of purpose means and how we should best articulate it for the period ahead. We also looked at how that purpose could be translated into a set of behaviours, setting out how we act, both as an organisation and as individuals.

One of the things which makes Yorkshire Water so distinct is the shared sense of commitment and purpose felt by everyone at the company. This runs very deep in our colleagues, from the front-line teams through to the Board and it helps to guide the decisions which we make.

This process has resulted in a new purpose statement, vision and set of behaviours.

**It sets our purpose as being proud
“to play water’s part in making
Yorkshire a great place to be,
now and in the future.”**

**Our ambition becomes
“to put people at the heart of
everything we do.”**

**Four key behaviours define
the way we act:
we own it, we’re always
learning, we’re better together
and we have heart.**

How we monitor our performance and make decisions

There have been some important changes to the Board in the last year. Richard Flint stepped down as Chief Executive Officer (CEO) at the beginning of September 2019 and Liz Barber, previously Chief Financial Officer, was appointed as our new CEO. Andrew Merrick has also joined the Board as a Non-Executive Director. His extensive financial experience will be invaluable to the Board and equips him perfectly to be chair of the Board Audit Committee. Over the last six months, the leadership team has been reshaped to ensure we have the right skills to lead the company into the new five-year asset management period. To start with this involved changing some existing roles, with Jenni Morris becoming Chief People Officer and Nevil Muncaster taking on the role of Chief Strategy and Regulation Officer. We have now made some additional external appointments, with Andy Haywood joining as Chief Technology and Information Officer, Mark Horrobin joining as Chief Operating Officer and Chris Johns becoming Chief Financial Officer.

The Board makes all decisions with a view to the longer term. The long-term strategy of the business was published in 2018 and is due to be reviewed and updated as appropriate over the next 12 to 18 months. This strategy looks 25 years ahead and takes into consideration the long-term forecasts for Yorkshire in many areas such as population growth, water consumption and climate change. Each year the Board considers the long-term viability of the business and makes a statement on this.

Throughout 2019/2020, the Board had seven scheduled meetings, with five additional ad-hoc meetings held; three to consider matters in relation to the Price Review, one concerning the appointment of the new CEO and one specifically to hear from Liz Barber, as the new CEO, on her initial thoughts and plans in her new role.

At each meeting, the Board considers health and safety, financial performance and non-financial business performance, including past performance and expected future performance.

To make sure all Board members have a full picture of our company, monthly reports on financial performance, our employees, governance, keeping to our standards and health and safety are sent to the Board members. We do this whether or not a Board meeting is scheduled.

The Board meets both formally and informally with senior management across the business, gaining insight into the day-to-day operations and the main risks and opportunities facing each part of the business. Members of the Yorkshire Water Leadership Team and senior managers are regularly invited to go to meetings with the Board to provide updates and give the non-executive Board members regular direct access to the senior management team.

There is a schedule of matters reserved for the Board which sets out the specific matters that must be referred to the Board for approval. These include matters relating to the structure of the company, our policy on dealing with dividends, significant issues to do with regulations and press releases, along with significant operational matters.

In 2019/2020, the Board created a Colleague Engagement Forum, with membership from across the organisation. This is regularly attended by members of the Board. The forum is one of the ways that the Board has, to allow it to understand the culture of the business directly from those experiencing it on a daily basis and allows the Board to gauge whether the vision and values are appropriately embedded.

Decision-making will inevitably involve some trade-off to make sure we take a fair and reasoned approach to delivering our services. To help us with our decision-making, we are using the concept of the ‘six capitals’. The six capitals are shown below.

1. **Financial capital** – our financial health and efficiency
2. **Manufactured capital** – our pipes, treatment works, offices and information technology (IT)
3. **Natural capital** – the materials and services we rely on from the environment, for example water
4. **Human capital** – our workforce’s abilities and wellbeing
5. **Intellectual capital** – our knowledge and processes
6. **Social capital** – our relationships with our customers and stakeholders and our customers’ trust in us.

Companies traditionally tend to focus mainly on financial capital. Our decision-making is improved by considering the positive and negative effects and links between all of the six capitals. This means that our decisions have a balanced effect, which takes account of risk and value, so that we can look at long-term approaches.

As well as using the concept of the six capitals in our decision-making, we need to keep our long-term plans up to date. As a result, the Board has put in place a PESTLE, which is a tool companies use to view, in different ways, the environment that a company is working in.

How we involve our customers and stakeholders

We need to continue involving our customers and stakeholders to make sure our ambitions and priorities match our customers' priorities. Understanding from our customers what matters most to them about the services we provide shapes both our immediate targets and our long-term plans.

We know that our customers' expectations are changing. We want our services to be flexible so that we can tailor them to match our customers' needs. For example, some people want to talk to us on the phone to report a problem, but other customers prefer to report and deal with problems online. No two customers are the same and the way customers want us to contact them, or ways to get in touch with us, varies greatly.

We are committed to continuing to involve our customers to make sure that we always understand their priorities and take account of them in our plans, now and in the future.

Over the past year a new Customer Experience strategy has been produced, built from customer and colleague insight aligned to the new purpose, ambition and behaviours of the organisation.

The strategic intent is to become one of Yorkshire's most customer valued organisations generating high satisfaction through brilliant people and achieving greater productivity and effectiveness as a result. This will be achieved by focusing on the customer needs throughout their relationship with us at every touchpoint, gaining an understanding of their emotional response throughout that experience and designing journeys and business capability around the customer. Regardless of how customers interact with Yorkshire Water, their experience will be designed according to their needs to ensure customers can access us appropriately. Most notably our focus remains on supporting vulnerable customers and ensuring they receive a valued and supported experience through the priority services register, social tariffs and strengthening the accessibility of our channels.

We have a Board committee with a focus on the social purpose and public accountability of the organisation. We call this the Social Value Committee. We recognise our role as an anchor institution in Yorkshire and that we provide an essential public service, as well as playing a key role in the health, wellbeing and prosperity of the region. For more information on the Social Value Committee, please see the report in the Annual Report and Financial Statements.

Over the past year we have been developing our social contract. A Social Contract represents a two-way agreement between Yorkshire Water and the people of Yorkshire. For Yorkshire Water, the Contract goes above and beyond the everyday responsibilities of a water company and clearly demonstrates the financial, social and environmental benefits it brings to the region. In return, the people of Yorkshire will be willing to show their support by making some simple but positive changes to the way that they use our water and wastewater services. We have held workshops with colleagues, undertaken a number of customer focus groups, and completed in depth interviews with different external stakeholders. This has provided us with some great direction and suggestions for initiatives. Every group recognised that the image and level of trust in Yorkshire Water could be enhanced if we are able to deliver aspects of the social contract which the public can support easily and which provide some form of benefit. The broad themes and ideas that have been identified through the engagement activity are now being developed into potential initiatives, which can be tested with customers and these then might form the basis for a social contract. This will be developed further over 2020/2021.

We continue to regularly discuss our performance with the independent Yorkshire Forum for Water Customers (the Forum).

How we change and update our commitments

Although we set our regulatory performance commitments using a five-year cycle, our commitments can change.

As well as the ambitions we set ourselves during price reviews, our ambitions are also influenced by best practice throughout the world. The United Nations Development Programme (UNDP) has formally adopted a set of 17 sustainable development goals (SDGs) which are backed up by 169 targets. We have assessed where we can make the most substantial contribution to these goals by increasing the value we create for communities in Yorkshire and by reducing our carbon footprint. You can find out more about the SDGs at sustainabledevelopment.un.org. Further information on our progress with these goals is provided within our Annual Report and Financial Statements.



PESTLE

An acronym for political, economic, social, technological, legal and environmental. We use it so our decisions consider all the different stakeholders involved.

In April 2019, the water industry published six stretching goals called Public Interest Commitments. All of these goals go beyond planned commitments within our current business plan. We actively helped the industry to shape these commitments and they work alongside our plans for AMP7 and beyond. You can find the public interest commitments at [water.org.uk/wp-content/uploads/2019/04/Public-Interest-Commitment.pdf](https://www.water.org.uk/wp-content/uploads/2019/04/Public-Interest-Commitment.pdf).

The rapid onset of the Covid-19 pandemic in the last months of the financial year meant that we needed to make major and rapid changes to the company's operations to ensure that we could continue to provide an essential service whilst protecting the health and safety of our colleagues and customers. Recognising the financial impact on our customers of the lockdown period, we have actively promoted our special tariffs and payment breaks to ensure that those who needed help could get it.

How we have performed in 2019/2020

On their own, our performance numbers do not really reveal either the operational challenges we have faced during the year or indeed the significant achievement of our colleagues in maintaining and improving the service to our customers. In the course of the year, we have dealt with three major storms and consequent flooding events which have had a significant impact on the lives of our customers and the communities we serve. At the very end of the financial year the emergence of Covid-19 meant that we had to adapt our ways of working quickly to protect our colleagues and our customers and continue to deliver our essential services safely.

The Annual Performance Report provides more information on our performance. We explain our latest performance, including where we have been successful in meeting or going beyond our performance commitments, and why some commitments did not meet the targets we set.

We have met 22 out of 26 performance commitments this year. You can find more information on our performance against all 26 of our performance commitments within the Annual Performance Report.

We and the other water companies in England and Wales provide information to a central hub so you can compare how we are performing against each other and how the water industry compares with other sectors. Visit discoverwater.co.uk to find the latest information on water quality, environmental performance, customer service and water bills.

We have made strong progress during the first year since making the commitment to the Public Interest Commitments. Further information is available within the Annual Report and Financial Statements.

Over the last year, it has also been a priority for us to build closer relationships with the organisations we work with in Yorkshire. We have spent the last year looking to create new partnership arrangements or to create new networks united behind common purpose. We have become part of the Leeds anchor network, a group of the anchor institutions in Yorkshire which work with Leeds City Council to develop an inclusive growth agenda for the city. We have joined the Bradford Sustainable Development Commission which was created shortly before the Covid-19 lockdown and are pleased to be playing our part in the West Yorkshire Economic Recovery Board set up by the local authorities in the area. The Living with Water Partnership in Hull is starting to make a demonstrable contribution to the reduction of flood risk in the city and we are in dialogue with stakeholders in the Sheffield city region to create a similar collaborative network to make the Don catchment more resilient to flooding.

As one of Yorkshire's largest landowners we are very aware of the potential contribution that the county's land could make towards carbon reduction and climate adaptation. We have therefore worked with partners such as the National Trust, Forestry Commission and Crown Estates to establish the Yorkshire land network with an initial objective to establish a functioning Yorkshire carbon market to help fund peatland restoration and other carbon sequestering projects. This project is in its early stages.

We committed to a policy of being 'open by default' by 2020. In November 2019, we prepared a summary of the last five years of performance across our performance commitments, up to the most recent 2018/2019 APR. This release served to act as an anchor point for future releases. Over the following six months, we would go on to prepare and release the supplementary data relating to all 26 performance commitments from the latest 2018/2019 report. This release delivered on our commitment to being open by default and will act as the benchmark for all future releases. The information released has already enabled us to identify new and emerging trends on a much more granular level both by working with external partners, but also by revealing new insights that are empowering our business leaders to take more decisive actions to improve and enhance the service we provide. It is allowing us to demonstrate how being open and transparent is good for driving improvements and good for building customer trust. To find out more visit our open data section on our website: yorkshirewater.com/news-media/open-data

How we balance the relationship between financial performance, rewards for executives and delivering our services

We believe in the importance of being open and transparent about paying our directors and we try to make sure we pay our directors fairly in relation to their experience, their performance, the demands and complexity of their role and the experience our customers have. We strive to ensure the reward received by our directors is market competitive, consistent, simple, value-based and balanced, as well as ensuring it is reflective of the pay and employment conditions across the rest of the business and in the communities we serve. During 2019/2020 we have undertaken a comprehensive review of the remuneration policy for our executive directors. We want to ensure we remunerate fairly; we are able to attract and retain the right calibre of talent; and we want to ensure the reward structure drives the right behaviours, appropriately rewarding strong performance whilst not rewarding poor performance. You can find full details of our directors' pay in our Directors' Remuneration Report, which is published in our Annual Report and Financial Statements.

Statement approval

At the Board meeting on 8 July 2020 the Board approved this statement on our direction and performance. The Board authorised the Company Secretary to sign this statement on behalf of the whole Board.

Signed on behalf of the Board



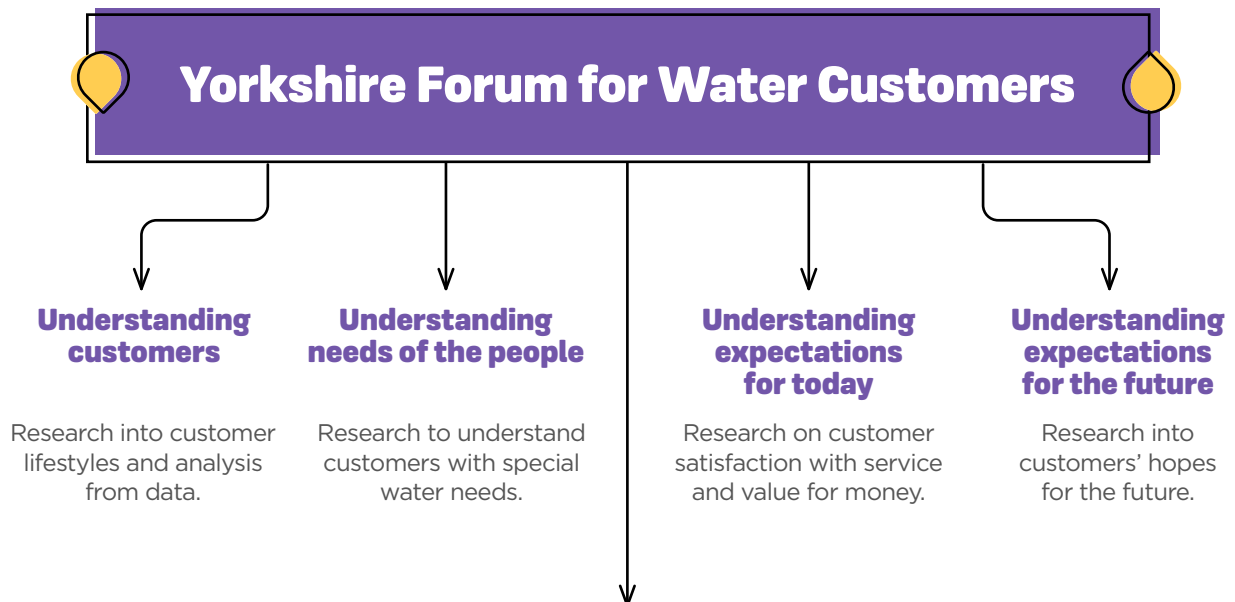
Kathy Smith
Company Secretary

3. Statement from the Yorkshire Forum for Water Customers

Statement from the Yorkshire Forum for Water Customers

We regularly engage with the Yorkshire Forum for Water Customers (the Forum), which gives us valuable insight into what our customers want from us now and into the future. The Forum is an independent challenge group that is responsible for making sure our customers' views are fairly reflected in our business plan and ensuring we meet the performance commitments we have made to customers. You can read more about how we have engaged with the Forum in section 6 of the APR. yorkshirewater.com/reports

The Forum has published a statement on our performance. You can view the statement here: yorkshirewater.com/yorkshire-forum-for-water-customers/



Holding your Company to account

Challenging Yorkshire Water to improve and making sure it works for you.

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