

Operating and financial review

Yorkshire Water Substantial investment has led to significant improvement in water quality in the region. The Environment Agency ranks performance on bathing and river water quality as the best in Yorkshire since records began.

Financial and operational performance

Yorkshire Water's regulated turnover increased by 3.3% to £559.8m (2001: £542.1m) following the 3.4% overall increase in charges from 1 April 2001. Operating profit increased by 5.0% to £225.5m (2001: £214.8m), compared to the 5.6% increase reported at the interim stage. A continuing strong performance on cost reduction contributed to the increase in profit. The early implementation of efficiency initiatives is expected to achieve outperformance of £80m against the current determination.

Yorkshire Water maintained its position as a sector leader in operating, service and financial performance. This has come from a continued focus on cost reduction and efficiency improvement. In tandem, a determination to drive operational performance and service delivery has seen the company's environmental performance improve further with its compliance levels amongst the best in the water industry.

Capital investment

Regulated capital investment for the year was £324.7m, an increase on the previous year's figure of £265.5m demonstrating the acceleration of the asset management plan (AMP) investment profile. The capital expenditure was distributed as follows: clean water programmes, £145.5m, waste water £152.7m, IT £16.2m and other £10.3m.

The profile of capital expenditure in the current five year capital planning period, known as AMP3, is fundamentally different to the previous period in that there are many more capital schemes, but typically they are smaller. On the waste water side in particular, schemes involve the replacement or renovation of unsatisfactory intermittent discharges. Given the huge number of these in Yorkshire, excellent programme planning has been essential and much of the first year of AMP3 focussed on this area.

During 2001/02 there was an acceleration of activity and Yorkshire Water continues to be on target to deliver its capital obligations in terms of output. This is despite the significant suspension of capital schemes imposed due to restrictions during the foot and mouth disease outbreak.

Environmental performance

Substantial investment by the company in AMP2 has led to significant improvement in water quality in the region. The Environment Agency ranks performance on bathing and river water quality as the best in Yorkshire since records began. The Marine Conservation Society has recently stated that the beaches in the north east (of which Yorkshire is a substantial part) rank as the most improved in the country and many are making their debut in the Good Beach Guide.

Two beaches in Yorkshire have also received Blue Flags. This has been achieved in co-operation with local authorities in the area who have themselves invested much in their tourism facilities.

As a result of considerable operational effort and proactive pollution prevention initiatives, major pollution incidents in the year have been reduced from 16 to 10. Yorkshire Water aims to improve further on this performance. Despite the success in delivering the target reduction in serious and significant pollution incidents, an increase in prosecutions could follow from an apparent change in prosecutions policy by the Environment Agency.

Once again, all waste water treatment works have achieved full compliance with consents.

More details on Yorkshire Water's environmental performance can be found on the Kelda environment and community website:

www.keldagroup.com/environment



01 Apprentices Almost a decade after they ended, Yorkshire Water has reintroduced apprenticeship schemes.

In September the company took on 14 apprentices aged between 16 and 19 to work in Leeds, Bradford, Sheffield, Hull, Huddersfield and York. When each individual has successfully completed their training they will be appointed to full-time posts in their chosen area and will also be encouraged to take their studies further.

03 HumberCare Yorkshire Water's £200m scheme to modernise Hull's waste water treatment facilities received worldwide publicity in August 2001.

To mark the completion of a new 10km pipeline tunnelled beneath the city's streets and marina, the company recreated a famous scene from the 1960s film, "The Italian Job", in which Mini Coopers laden with gold bullion were driven through the sewers of Turin.

02 Land access Yorkshire Water welcomed the passing of the new Countryside and Rights of Way Act and immediately pledged to use the new legislation to proactively promote greater public access to its 72,000 acre estate.

Despite the region being gripped by foot and mouth disease for most of the year, several new scenic footpaths were opened and extensive improvements made to facilities at many of the company's recreational reservoir sites.

Support was also given to a group of countryside service volunteers from Bradford to develop a range of new and exhilarating walks, taking in large areas of the company's land.

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Customer service

There are two aspects to customer service, the quantitative regulatory measures and what might be described as the service "feel", the experience which customers have when they deal with the company. A major initiative is underway within the company to improve the overall service experience - whether that service is delivered by Yorkshire Water itself or by one of its service partners.

In December 2001, Yorkshire Water was re-awarded the government sponsored Charter Mark for Excellence in Public Service.

On all regulatory service measures, Yorkshire Water is now bettered by only one other company in the sector. Almost all measures show continued improvement. In particular, performance has continued to improve markedly on DG2 (inadequate pressure) and DG3 (unplanned interruptions).

Performance on DG5 (sewer flooding) has continued to improve. Recognising the importance of this issue, over the next two years, a 30% reduction in the number of properties flooding due to blockages, collapses and equipment failures is targeted. This will be achieved by a combination of capital improvements, service enhancements and also targeted cleaning and maintenance.

Drinking water compliance continues to improve, with overall compliance at 99.89%. Investment is continuing to achieve further improvement, with a number of major water quality schemes currently underway.

In the year, a major information technology led project - Integrated Customer and Operations Management (ICOM) has been successfully completed. In essence ICOM seeks to improve customer service and also drive efficiencies in operational management. It does this by more closely integrating front end customer handling through the contact centre with the company's field operations. The main benefits will be an increase in the numbers of calls satisfactorily concluded on contact and a decrease in the calls passed through to either contractors or our own field teams. ICOM has been a very complex project to deliver, involving the integration of three different software packages as well as fundamental changes to the business process of large parts of the company.

Commercial activity

The construction and commissioning phase of the £80m public private partnership to provide waste water treatment facilities in the Aberdeen area for Scottish Water has been completed. The group has a 45% interest in the consortium with Earth Tech Engineering and Balfour Beatty which is undertaking the project. Handover of the four new plants to the group's dedicated operating company Grampian Wastewater Services has taken place.

Yorkshire Water is also bidding for a separate contract to provide sewage sludge disposal services for the Inverness, Perth and Dunfermline areas.

The company has reached best and final offer stage of its bid to design, build and operate a new waste water treatment works in Delft, Holland, which will serve a population equivalent of 1.7 million. A final decision is expected in late summer 2002.

Yorkshire Water, along with Brown and Root and Earth Tech Engineering, is part of a consortium which is bidding for the contract to provide water and waste water services to Ministry of Defence sites in Wales and the south west of England. The consortium has been shortlisted as one of two bidders to go forward for negotiations towards preferred bidder status.

Community involvement

Yorkshire Water contributes actively to the community which it serves. This contribution is made through a range of community based initiatives including sponsorship, donations in kind and the encouragement of employee involvement as well as through direct financial support.

Yorkshire Water continues to encourage employee involvement with Right to Read, a regional based scheme which has seen more than 100 colleagues going into schools and reading on a one-to-one basis with children struggling to reach the government's basic literacy standards.

The company's SwimCare campaign, which aims to improve the swimming abilities of youngsters around the region, won a gold award at the Yorkshire & Lincolnshire IPR Cream Awards and the best community PR campaign. Launched in 2000, SwimCare has so far helped over 2,500 school pupils in Bradford, Hull, Leeds and Sheffield to attain the key stage 2 level. Due to the success of the campaign Yorkshire Water has now expanded the scheme to benefit children in York.



01 Tap V Cap Yorkshire Water took to the road in the summer of 2001 to give its customers the chance to take the Tap v Cap challenge. Customers were able to learn more about their local water supply and the benefits of drinking tap water. They were also challenged to see if they could tell the difference between tap water and the vastly more expensive bottled varieties sold in shops and supermarkets. Almost 3,000 customers took part in the initiative, with six out of ten unable to tell the difference between tap and bottled water.

03 Derek Wild It's been a memorable year for Yorkshire Water's Manager of Regional Engineering Services, Derek Wild. In January 2001, Derek was awarded a prestigious Member of the Order of the British Empire medal (MBE) in the Queen's New Year's Honours List for "services to flood relief". And then in December 2001, Derek again won national recognition when he was named Outstanding Individual of the Year at the prestigious Utility Industry Achievement Awards.

02 Customer communications A new public information campaign aimed at giving customers a better understanding of their water and waste water services was launched in the summer of 2001. The 12 week campaign was communicated via advertisements in the regional press and on local independent radio stations, providing detailed information on almost every aspect of the company's performance. The campaign ended with a major outdoor advertising campaign comparing the cost of tap water with that of more expensive bottled waters.

04 RiverCare In November 2001, an Environment Agency report revealed that Yorkshire's rivers are now the cleanest since records began. The improvements seen in rivers such as the Don, Calder and Aire were largely as a result of Yorkshire Water's ongoing programme of work to upgrade its extensive network of sewers and inland waste water treatment works. In response to the report, the company announced plans to build on its recent success and abandon or upgrade a further 1,000 sewer overflows by the end of 2005. This will greatly reduce the future risk of sewage finding its way into the region's rivers and watercourses.

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