

By email

Chris Offer
Head of Strategy and Regulation
Yorkshire Water Services Limited

13 October 2023

Dear Chris,

Accelerated Infrastructure Delivery Project

We are writing following our publication of our [Accelerated Infrastructure Delivery Project final decision](#) in June 2023. Our final decision allowed Yorkshire Water (the “Company”) PR24 transition expenditure funding to accelerate two schemes¹ in accordance with the conditions and requirements set out in the Accelerated Infrastructure and Delivery Project final decision. This included a requirement that the Company provide us with sufficient and convincing evidence at our action plan review meeting in summer 2023 that it is on track to deliver its PR19 enhancement programme as a condition of receiving transitional expenditure funding.

To deliver customer and environmental benefits, acceleration schemes need to be delivered on time and not distract companies from the delivery of the existing significant 2020–25 investment programme.

To help us decide whether the Company has met the condition included in our final decision document that it is on track to deliver its PR19 programme, we asked the Company to submit a report on the progress that it has made against its own [action plan](#) (published in April 2023). We then held the action plan review meeting to discuss this report with company representatives on 23 August 2023. Following this meeting we raised further queries with the Company on its progress. We have also reviewed the data submitted by the Company in its 2023 Annual Performance Report.

¹ Ilkley Inland bathing water scheme and Wheatcroft coastal bathing water improvement scheme.

For the reasons set out below, while risks remain on delivery, we consider that the Company has provided us with sufficient and convincing evidence to assure us that, overall, it is currently on track to deliver its PR19 enhancement programme.

- The Company reported progress in relation to the cumulative expenditure made against the enhancement allowances set out in the PR19 final determinations. However we still identify the Company as significantly underspending against its wastewater enhancement allowances in our [Water Company Performance Report 2022-23](#). The Company explained that the reason for the underspend is due to the investment being reprofiled towards the back of the 2020-25 period but that it is confident that it will deliver the programme in full by March 2025. It further explained that during the first two years of the 2020-25 period, the Company spent time re-optimising solutions to meet the efficiency challenge set out in the PR19 final determinations. The Company is now planning to deliver its PR19 enhancement programme at a cost that is below the allowance provided. The Company is forecasting to spend 77% of its wastewater enhancement allowance by March 2025.
- In its action plan, the Company identified five schemes as at risk of not being delivered on time.² The Company reported progress in three of these schemes.³ Although the delivery position for these projects has improved, they remain at risk. According to the Company, its delivery position in relation to the Dewsbury scheme has worsened since the publication of its action plan. It said that it is looking to accelerate works over the summer to recover time. The Company also identified a new scheme as at risk.⁴ It explained that it is still forecasting to deliver the scheme on time but that it is now at risk due to the time required for ongoing negotiations with Leeds City Council.⁵
- The Company confirmed that it is on track to deliver the remainder of its PR19 enhancement programme by March 2025.

We will continue to monitor the Company's progress on delivery of its action plan. As set out in our Water Company Performance Report 2022-23, we will require the Company to prepare a service commitment plan (which will replace the action plan). This will help us better understand any delivery issues that may arise.

We therefore consider that the Company has met the condition included in our accelerated infrastructure delivery project final decision to providing us with sufficient and convincing evidence at our action plan review meeting in summer 2023 that it is on track to deliver its

² These five schemes are two schemes in Dewsbury wastewater treatment works, two schemes in Blackburn Meadows wastewater treatment works, and one scheme in Hough Side.

³ These schemes are two schemes in Blackburn Meadows wastewater treatment works and one scheme in Hough Side.

⁴ Farnley Ring Road which forms part of the Pudsey Beck programme.

⁵ The Company explained that the council had recently raised concerns about the proximity of the works to the carriageway.

PR19 enhancement programme. We also expect the Company to get on and deliver the two schemes for which transition expenditure funding has been allowed.

The Company should continue to progress delivery of all enhancement schemes funded to be delivered in 2020-25. We will monitor and challenge the progress of delivery of acceleration schemes as well as other PR19 enhancement expenditure.

Yours sincerely

Chris Walters
Senior Director