

# Scottish Water's Performance 2010-11

## About this document

**This document reports Scottish Water's performance in delivering outcomes for customers and the environment in 2010-11, the first year of the five-year regulatory control period 2010-15.**

During this period Scottish Water expects to improve its efficiency further, continue to increase its service levels, and deliver all of the drinking water, environmental and other improvement objectives set by the Scottish Ministers. Standards are already high, so the challenge is considerable.

We assess performance by comparing what was delivered in 2010-11 with Scottish Water's Delivery Plan projections for that year. The Delivery Plan sets out the projected profiles for delivering the Scottish Government's objectives for 2010-15, within the financial limits that we set at our Final Determination<sup>1</sup>.

### Overview of performance

The table opposite provides an overall rating, alongside a summary comment on performance, for each of the eight main areas that affect outcomes for customers and the environment.

We are pleased to report that Scottish Water made a good start in 2010-11, with all areas achieving a rating of 'on track' or better. This is in spite of difficult external conditions that include unusually severe winter weather, higher than expected inflation and a substantial increase in local authority rates.

Scottish Water has outperformed its projections in the areas of delivery of the 2010-15 investment programme, levels of service to customers, leakage reduction, investment costs, use of borrowing and financial strength.

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<sup>1</sup> Water Industry Commission for Scotland, 'The Strategic Review of Charges 2010-15: The Final Determination', November 2009.

## SUMMARY OF SCOTTISH WATER'S PERFORMANCE FOR THE YEAR 2010-11

Area of performance	Measure	Performance projected by Scottish Water	Actual performance	Our rating	Remarks
<b>Key outcomes for customers</b>					
Delivery of projects remaining from pre-2010 investment programmes	Number of projects still remaining at year end	66	62	✓	Scottish Water is ahead of target, but will need to maintain its focus on completing the remaining projects (particularly those from the 2002-06 period).
Delivery of 2010-15 investment programme	Overall Measure of Delivery (OMD) index	63	82	✓✓	All but two of the 48 programme areas are on or ahead of target and recovery of these two is expected during 2011-12.
Levels of service to customers	Overall Performance Assessment (OPA) index	302	330	✓✓✓	Achieved 24 points higher than the equivalent score in 2009-10. Scottish Water plans to achieve a score of 380-400 by 2013-14, comparable with recent performance by leading water companies in England and Wales.
<b>Leakage</b>					
Performance against leakage target	Leakage level in millions of litres per day	720	699	✓✓	Reduced leakage to 699 million litres per day, against a target of 720, despite unusually severe winter weather.
<b>Costs</b>					
Investment costs	Capital spend in millions of pounds	483	443	✓✓	Investment costs were contained, even though Scottish Water's output delivery was ahead of planned levels overall.
Operating costs	Operating costs in millions of pounds	447	467	✓	Operating costs were above the planned level due to an unexpected increase of over £21 million in rates levied by local authorities. Scottish Water outperformed in its other day-to-day costs, offsetting the costs of severe winter weather of nearly £7 million, and the impact of higher than expected inflation in the economy.
Use of borrowing	Net new borrowing in millions of pounds	140	106	✓✓	Borrowing was contained, due mainly to savings in investment costs.
<b>Financial strength</b>					
Key financial ratios	Cash interest cover ratio	3.4	3.7	✓✓	Ratios benefited from good control of costs. Strong finances limit the risk to future customers of increased bills to cover investment costs.
	Funds from operations as a percentage of net debt	13.2	14.6		

Key: ✓✓✓ significant outperformance  
 ✓✓ outperformance  
 ✓ on track

x underperformance  
 xx significant underperformance

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