

**Utility  
Week  
Live**

21st - 22nd May 2019

**wib**  
WATER INDUSTRY AWARDS  
2019

# **LIZ BARBER**

***DIRECTOR OF FINANCE,  
YORKSHIRE WATER***

Gaining an insight from the people driving change across the water industry as we continue innovation after the Water Industry Awards.

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# **CHANGE MAKERS**

A black and white portrait of Liz Barber, a woman with short, light-colored hair, wearing a dark blazer and a necklace. She is looking directly at the camera with a slight smile. The portrait is positioned on the right side of the page, partially overlapping the large 'CHANGE MAKERS' text.



**“The sector is waking up to what it can do for society, and may actually find itself leading the way in terms of how other corporates might behave.”**

## **THE TRANSPARENCY CHAMPION**

**In the run-up to the Utility Week Live exhibition and conference on 21-22 May, we are interviewing a series of industry ‘change makers’. This week it is the turn of Liz Barber, who has led the way in creating transparency and rebuilding trust. Denise Chevin, acting content director, Utility Week, caught up with Yorkshire Water’s director of finance, regulation and markets to hear more about a new social contract.**

Transparency, fairness, social contract. These words are appearing increasingly in the lexicon of utility firms, but one person who can claim to have been embracing such sentiment longer than most is our latest Utility Week Live “change maker”, Liz Barber director of finance, regulation and markets at Yorkshire Water.

Barber was ahead of the pack in announcing the closure of Yorkshire Water’s Cayman Islands banking arrangements in October 2017. And in December 2018 she pledged to release most of the business’s operational and service data by 2020, starting with leakage and pollution. She has drawn up a decision-making framework that values the company’s social impact and has been instrumental in overlaying these new business processes with an ambitious manifesto – what the company is calling its five big goals.

That’s on top of the day-to-day running of the financial side of the business. Currently she is divesting non-core subsidiaries to boost the balance sheet and reduce gearing. Non-domestic water retailers Yorkshire Water Business

Services and Three Sixty were sold to Business Stream at the start of this year.

Not surprisingly, catching up with her proves a logistical challenge and we agree to speak over the phone. Yes, she’s busy, but there’s good busy and bad busy, she explains. “Bad busy is busy solving problems; I’m not bad busy at the moment. Good busy is lying awake at night thinking about how we’re going to make the best of this opportunity. And at the moment, thinking about our Fit for Future transformation programme.”

Fit for Future is the next big challenge in her in-tray, a devolution of decision-making to more frontline teams, which she and chief executive Richard Flint are driving. “The idea is that our people will feel engaged, respected, listened to, and have more control over how they deliver our services to customers,” she explains. “It’s an attitude really, that head office doesn’t have all the answers.”

The programme is a big strand of work to help deliver Yorkshire Water’s newly cast business plan, which centres on its role as a leading player in local communities – a self-styled anchor institution. Barber set out the five big service goals in October 2018: to offer a personal service to customers; keep bills down; increase transparency; reduce leaks by 40 per cent and boost conservation to ensure supply to an estimated one million more people in the region by 2045; and tackle key environment challenges, including avoiding pollution and sewer flooding. Even more ambitiously it wants to capture all sewage and convert it to energy.



Yorkshire Water is investing nearly £1 billion in tackling long-term sustainability issues and reducing its impact on the environment to allow current infrastructure to cope with the forecast rise in population. “For water, that would mean reducing leakage, reducing our own water use, encouraging industrial users to use less than potable-grade water – we’ve got pilots looking at that at the moment,” she explains. “That equates to the same costs, more people, reduced bills in the long term, while maintaining resilience.”

The five goals were framed after a huge public consultation exercise of 26,000 people, with each goal getting over 90 per cent approval, says Barber.

The strategy has been underpinned by the new social value committee, which, says Barber, “is making sure that we’re forever developing and delivering to our social contract, and holding us accountable”. It’s headed up by Julia Unwin, the former chief executive of the Joseph Roundtree Foundation.

One aspect of Barber’s social value work is the creation of a decision-making framework that will allow the organisation to value the wider impact of its work. “It allows us to quantify not only the cost of asset intervention but also the social impact of what we are planning to do, and the environmental impact, good and bad,” she says. “That in turn, has allowed us to put forward a sustainable financing framework to support the raising of green bonds or social bonds.”

The framework is based on the Natural Capital Protocol, drafted by a group of businesses, NGOs and sustainability experts known as the Natural Capital Coalition – where Barber is now on the board. She is also a member (and was until recently the chair) of the global and cross-industry Accounting for Sustainability network, a Prince of Wales charity working to embed the management of environmental and social issues into strategy and business processes.

## **REBUILDING TRUST**

Yorkshire Water became the first water company to announce its was terminating its offshore banking in October 2017, pointing out that although the offshoring arrangements were not about escaping tax liabilities, the perception they gave rise to was damaging the business. This move meant it was well placed when industry criticism came from environment secretary Michael Gove a year ago over excessive pay and opaque financial arrangements, and which has subsequently been followed by a crackdown from Ofwat in the PR19.

**“Societal attitudes towards big corporates have changed fundamentally in the post-crash era”**

Asked whether she thinks politicians have been fair in their criticism of water companies, she chooses her words carefully: “Societal attitudes towards big corporates have changed fundamentally in the post-crash era. And I think the degree of trust in big corporates and executives has significantly diminished.” She says that because water companies are monopoly providers, it is essential “to demonstrate even more that we are trustworthy”. She explains: “What our customers say is that they like Yorkshire Water, they trust Yorkshire Water, but because we are who we are, they expect more from us. And I think as a sector we’ve been slower to respond to that than perhaps we might have been.”

So what does she make of Labour’s pledge to renationalise the water companies if elected to



power? “Obviously that’s in the realm of politics and democracy,” Barber says, “and I’m not really here to talk about the rights and wrongs of that. However, the sector is really waking up to what it can do for society. We might have been provoked into this by societal expectations, but the water sector may actually find itself leading the way in terms of how other corporates might behave. The industry is working out some really exciting initiatives around affordability, vulnerability and carbon impact.

“If the sector can say, look, we can deliver all these things for society and the UK as a whole, and this is how we’re prepared to be measured against that, and these are the commitments we’re making, and if we’re prepared to be transparent about that, why would we need to be nationalised?”

She says there are no tensions between return on investment and social values. “Putting society first makes good business sense. Previously there might have been an expectation that being sustainable means being more expensive, but it doesn’t. It just means you have to be more innovative with how you use your resources, more thoughtful. It’s about thinking differently. And business reputation is very important, as investors know.”

**“We are disappointed not to be in fast track, but we are dealing with the realities of a very significant environment programme that is running to nearly a billion pounds”**

## **RESPONDING TO OFWAT’S PR19 ASSESSMENT**

In the light of the changes Yorkshire Water is proposing, is she disappointed that Ofwat assessed the company’s PR19 business plan as slow track and requiring a level of material intervention to protect customer interests? “Ofwat were very clear about how they would assess the plans, and they’ve stuck to that. They were very clear that there would be strong efficiency targets.

“We are disappointed not to be in fast track, but we are dealing with the realities of a very significant environment programme that is running to nearly a billion pounds, which is a fifth of our expenditure. This had to be put in. And we’re facing the consequences of that, of putting bills up. It’s incumbent on us to provide more evidence of the money that we need to spend, in particular on our environment programme. But we’ll be working our way through that with the agencies and with Ofwat to get more clarity over the coming months.”

Barber says the situation is complicated by the uncertainty around the national environment programme and designations for rivers, in terms of required river quality over time. “We’ve taken the cautious view and assumed it will be in a fairly short time scale, but it looks as though those time scales may be stretched out, in which case some of those costs may come out of our plan.”



**“Somebody once said to me that it must be easy being an executive of a water company, because you don’t have to fight for every customer”**

## **IT’S A DREAM JOB**

It certainly looks a tough ask to balance the need to invest in the environment with keeping bills down. “Somebody once said to me that it must be easy being an executive of a water company, because you don’t have to fight for every customer,” Barber says. “But balancing those challenges are what we’re here to do. A bank or supermarket may think it’s tougher for them, because they can lose customers. As water company executives, we’re here to manage the conflicting challenges and do what we think is the right thing.”

Barber joined Yorkshire Water in 2010, after 23 years with EY, fulfilling a long-held ambition. “I read geography at university, and when I left to do my accountancy training with EY, it was at the time when Yorkshire Water was being privatised. I remember saying to a colleague, because I was so interested in a lot of the issues around what water companies do, I’d like to be finance director of that one day! Lo and behold, here I am.

“During my time at EY, I really enjoyed looking at lots of businesses, different risks – all of that was great. But there was a piece of work we did with the Water Industry Commission in Scotland, which wanted a set of accounts as though they were written by a geographer, which I found really interesting. And what they were saying was, what is the loss, from a societal or environmental perspective, or a local economy perspective?”

“It was before its time really. But it all links back to this idea of being an anchor institution, and the sector, and what the sector stands for. I think we are on the cusp of doing something really interesting.”

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