

HOUSEHOLD CHARGES SCHEME 2026/27

Board Statement of Assurance

NORTHUMBRIAN WATER LIMITED

BOARD STATEMENT OF ASSURANCE FOR CHARGES SCHEMES CHARGES 2026/27

The Northumbrian Water Limited (NWL) Board has overseen the development of customer charges for 2026/27.

The latest charges scheme rules, issued under sections 143(6A) and 143B of the Water Industry Act 1991, were issued by Ofwat in December 2022 and came into effect on 1 April 2023. The charging scheme rules state that each undertaker should provide the Water Services Regulation Authority an assurance statement from its Board of Directors and publish its statements no later than the time of publication of the Charges Schemes confirming that:

- a) the company complies with its legal obligations relating to the charges set out in its Charges Schemes;
- b) the Board has assessed the effects of the new charges on customers' bills for a range of different customer types, and approves the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;
- c) the company has appropriate systems and processes in place to make sure that the information contained in the Charges Schemes, and the additional information covered in the annex, is accurate; and
- d) the company has consulted the Consumer Council for Water (CCW) in a timely and effective manner on its Charges Schemes.

The purpose of this statement is to clearly demonstrate that NWL has satisfied these requirements.

Governance and Assurance

We closely monitor the rules published by Ofwat and ensure that all changes are incorporated into our charges publications. In order to do this, we have strong governance arrangements and assurance processes which have been applied to the development of these charges throughout the year and are summarised below:

- A specific quality assurance procedure sets out the process to be followed in setting charges each year and is reviewed annually to ensure that any necessary changes to the approval process are incorporated. This assurance builds on the work and recommendations previously carried out on our charges model by our external advisors.
- The NWL Internal Audit department confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- NWL have previously engaged Ernst & Young LLP (EY) to perform testing of the logical operation of certain financial models prepared by, or on behalf of, NWL to generate its tariffs. The scope of EY's work was determined by NWL and EY is only responsible to NWL for their work. This model has been used to generate tariffs published for 2026/27.
- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief Financial Officer and includes the Director of Customer and Corporate Services and the Regulation & Assurance Director along with senior managers from various disciplines within the business. The group met several times in the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.
- Charges movements were reviewed by the CMLG (see appendix for a summary of changes to household bills).
- CCW has been consulted to discuss the proposed charges and the impact on bills, including our communication strategy for customers. CCW has confirmed that they do not have concerns with our approach to the Charges. Given the general level of increases, they have asked us to ensure that our communication strategy for household customers focuses on affordability and increases awareness of the financial and budgeting assistance that is available to customers in managing their bills.

More information on our overall Assurance Plan can be found at [Data Assurance Statement 2024/25](#).

Development of charges

We have a well-established timetable for the production and approval of our tariffs and charges schemes and schedules, and this is incorporated into our Assurance Plan for the year. The charges have been developed through the following process:

DEVELOPMENT OF CHARGES

2025											2026
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting				CMLG meeting		CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
RWG Good Practice Guide published (NHH Charges)							Update NWL Audit Committee noting governance and Assurance processes for 2026/27 charges	Internal audit assurance	Developer Services Day held	Final November indexation published Ofwat Final Determination for BYA published	Update Board with final charges
							Update NWL Board with draft charges for 2026/27	Publish indicative primary wholesale charges	Ofwat Final Determination for ODI payments 2024/25 published	Ofwat workshop: Water efficiency and business user charges	Consult with CCW regarding final charges and handling strategies
							Ofwat call re Unmeasured charges and	Communications planning for potential bill increases		Developer Services consultation sessions	Notify Ofwat of average and typical bill increases
								Ofwat Final Determination for BYA published		Communications planning for potential bill increases	Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

Competition and Markets Authority referral

On 18 February 2025, NWL formally rejected the Final Determination (FD24) published by Ofwat in December 2024 and requested Ofwat to refer it to the Competition and Markets Authority (CMA) for redetermination in accordance with the procedures under the Water Industry Act 1991 and our Licence. Ofwat referred our FD24 to the CMA on 18 March 2025 and we submitted our Statement of Case on 21 March 2025. We received our draft redetermination from the CMA on 9 October 2025.

The final outcomes from the CMA redetermination of the FD24 are not due for publication until March 2026, at the latest, the charges for 2026/27 have therefore been set using the FD24 to ensure we meet our charges publication deadlines.

More information about our referral can be found [here](#).

Forecasts

Following several years of reduced average household consumption we observed a recovery throughout 2024, and this continues into the current year. The modelled volumes have therefore been increased to reflect the average of the last 12 months less a small reduction for water efficiency improvements. The net position is still higher than the 2024/25 assumptions.

Indexation

Our charges incorporate the November 2025 CPIH rate which was 3.57%.

Impact assessments and handling strategies

The high positive K factors and indexation rate means some of our charges are increasing by greater than 5% from 2025/26 charges, assuming a similar level of consumption.

Our handling strategies continue to be based around detailed communications with our customers. We started our Affordability/PSR/Digital Conversion integrated marketing communication campaign activity in early November, and that will continue to run through to April. During January and February we will increase the volume of activity alongside the billing communications that lead with the support we have available, including envelope support messages. We currently support 179,000 customers and anticipate a significant increase in 2026/27, with support projected to reach 220,000 customers by the end of the year.

This will be funded in 2026/27 by the shareholder contribution of £4m and a small increase to customer contributions.

We are also now working with local authorities and third-party organisations like Policy in Practice to help us proactively identify those customers in need.

Summary

The strong governance and assurance arrangements that have been applied in the development of the charges provide the Board with a sound basis to confirm that:

- a) NWL's charges for 2026/27, as set out in its published Charges Schemes, comply with our legal obligations;
- b) we have assessed the effects the new charges have on customers' bills for a range of different customer types, and approve the impact assessments and handling strategies developed in instances where bill increases for particular customer types exceed 5%;
- c) NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published in the Charges Schemes is accurate;

d) NWL has consulted with relevant stakeholders in a timely and effective manner on its Charges Schemes.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board

A handwritten signature in black ink, appearing to read 'M. A. Williams'.

Matt Williams
Chief Financial Officer

APPENDIX

SUMMARY OF HOUSEHOLD BILL CHANGES 2026/27

The table below summarises the household bill changes for 2026/27 for a typical range of household customer types (assuming a constant level of consumption). This includes measured customers and highlights examples of low, average and high consumption customers. Our unmeasured examples use low, average and high rateable values. We have also included the bill changes for our assessed charges.

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