

**DEVELOPER
SERVICES
CHARGING
ARRANGEMENTS
2024/25**

Board Statement of Assurance

NORTHUMBRIAN WATER LIMITED

BOARD STATEMENT OF ASSURANCE FOR DEVELOPER SERVICES CHARGING ARRANGEMENTS CHARGES 2024/25

The Northumbrian Water Limited (NWL) Board has overseen the development of the charges for 2024/25.

The latest charging rules issued under sections 51CD, 105ZF, 143B and 144ZA of the Water Industry Act 1991 were published by the Water Services Regulation Authority (Ofwat) in October 2021 and came into effect on 1 April 2022.

The charging rules state that each undertaker should provide Ofwat with an assurance statement from its Board of Directors and publish its statements no later than the time of publication of the charging arrangements:

- i. confirming that the company complies with its obligations relating to the charging rules;
- ii. confirming that the company has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements, and the additional information covered in the annex is accurate; and
- iii. explaining how the present balance of charges between developers and other customers is broadly maintained.

The purpose of this statement is to clearly state 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.

- 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 Customer Director, the Regulation & Assurance Director and the Corporate Affairs 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.
- Our Developer Services, Regulation and Finance teams met regularly to review our approach to the setting of charges.
- Consultation was carried out with stakeholders (more information is available in our Statement of Significant Changes in Charges for New Connections and New Developments).
- Our Internal Audit team have reviewed the charges calculation methodology, including the recalculation of a sample of charges, and found no areas of concern.

We operate a well-established approach to corporate governance and assurance, which is summarised in our Assurance Framework, more information on our overall Assurance Plan can be found at <https://www.nwg.co.uk/about-us/nwl/governance2/assurance/>.

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

2023											2024
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification	RWG Consultation on tariff simplification		Ofwat consultation on revenue forecasting incentive	CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
				CMLG meeting			Update NWL Audit Committee noting governance and Assurance processes for 24/25 charges	Internal audit assurance	Ofwat issue final determination of in-period ODIs	Final November indexation published	Update Board with final charges
							Update NWL Board with draft charges for 2024/25	Publish indicative primary wholesale charges		Communications planning for potential bill increases	Consult with CCW regarding final charges and handling strategies
							Ofwat publish draft determination of in-period ODIs and consult	Communications planning for potential bill increases		Developer Services consultation sessions	Notify Ofwat of average and typical bill increases
											Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

Consultations

We have included more details about our consultations in our Statement of Significant Changes in Charges for New Connections and New Developments, which can be found on our websites at:

<https://www.nwl.co.uk/services/developers/our-charges/> , and

<https://www.eswater.co.uk/services/developers/our-charges/>.

Statement of significant changes in charges for new connections and new developments

We have published a Statement of Significant Changes in Charges for New Connections and New Developments which can be found via the links above. This statement comprehensively highlights the effects of the new 2024/25 charges on typical developments and incorporates worked examples.

Handling strategies

We have increased our water infrastructure charges in line with the strategy set out in our previous year's charging arrangements in response to the increased need for network reinforcement across both of our operating regions. Last year we indicated our intention to phase in these charges - since this time, we have identified additional schemes where network reinforcement is required. As a result, we are increasing our infrastructure charges for the 2024/25 charging year. As we have identified additional schemes which require investment, and adopted a phasing strategy in previous years, these increases are higher than originally predicted however they represent our most up to date view of the investment required to support development over the next 5 years.

While we recognise that this is a significant increase, we have made this decision to ensure that infrastructure charges are set at a stable and predictable level in the future and will allow us to invest in our network to enable future development. We are also continuing to offer a 100% discount on infrastructure charges for those meeting our water efficiency targets.

Maintaining the balance of charges

In setting our prices for 2024/25 we have reviewed the overall balance of charges compared to those from before 1 April 2018 and have confirmed that the balance is broadly maintained.

We have maintained our approach to the setting of infrastructure charges to recover network reinforcement costs over a five-year forecast period. We have reassessed our forecast of water network reinforcement requirements and determined that, we will need to increase water infrastructure charges to fund the forecast reinforcement up to 31 March 2029.

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:

- i. NWL's charges for 2024/25, as set out in its Charging Arrangements, comply with our obligations relating to the charging rules;
- ii. NWL has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements, and additional information, is accurate; and
- iii. NWL has explained how the present balance of charges between developers and other customers is broadly maintained.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



Matt Williams
Chief Financial Officer