
PR24

**NORTHUMBRIAN
WATER** *living water*

**ESSEX & SUFFOLK
WATER** *living water*

DATA, INFORMATION AND ASSURANCE

APPENDIX A2 NES03

The background features a stylized illustration of water flowing over a hill. The water is depicted as a series of white, curved lines that flow from the top right towards the bottom left. The hill is represented by a solid green shape at the bottom. The overall color scheme is green and white.

1.	EXECUTIVE SUMMARY	3
2.	INTRODUCTION	8
2.1.	BUSINESS PLAN NAVIGATION	8
3.	BACKGROUND	10
3.1.	LIVING OUR PURPOSE	10
3.2.	PR19 LEARNING	11
4.	Our approach to assurance – business as usual	14
4.1.	OUR ASSURANCE APPROACH	14
4.2.	BOARD RESPONSIBILITIES AND PROCESSES	15
4.3.	AUDIT COMMITTEE	16
4.4.	RISK AND COMPLIANCE SUB-COMMITTEE	16
4.5.	MANAGEMENT ASSURANCE	16
4.6.	BUSINESS ASSURANCE	16
4.7.	INDEPENDENT ASSURANCE	17
5.	Our PR24 assurance approach	18
5.1.	GOVERNANCE AND OVERSIGHT	19
5.2.	MANAGEMENT ASSURANCE	25
5.3.	BUSINESS ASSURANCE	27
5.4.	INDEPENDENT ASSURANCE	27
5.5.	DATA ASSURANCE	29
5.6.	TECHNICAL SUPPORT	29
5.7.	WATER FORUM	29
6.	Meeting the Board assurance requirements	32
6.1.	IS OUR PLAN CONSISTENT WITH OUR PURPOSE, VISION, AND VALUES?	36
6.2.	SYSTEMS, RISK MANAGEMENT, AND INTERNAL CONTROLS AND PROCESSES	39
6.3.	A SUBMISSION THAT IS HIGH QUALITY IN THE ROUND	39
6.4.	LONG-TERM STRATEGY	43
6.5.	MEETING OUR OBLIGATIONS	48
6.6.	OPERATIONAL, FINANCIAL, AND CORPORATE RESILIENCE	57
6.7.	HOW HAVE WE ASSESSED THE FULL IMPACT OF BILLS ON CUSTOMERS – AND INTERGENERATIONAL FAIRNESS?	59
6.8.	COSTS AND OUTCOMES	62
6.9.	RISK AND RETURN	67
6.10.	CUSTOMER AND STAKEHOLDER ENGAGEMENT	68
6.11.	RISKS AND UNCERTAINTY	71
7.	Data assurance	75
8.	Assurance statement	78
8.1.	MEETING THE OVERALL ASSURANCE REQUIREMENTS	78
8.2.	MEETING SPECIFIC ASSURANCE REQUIREMENTS	79
9.	Meeting Ofwat requirements for an accessible and clear plan	84

1. EXECUTIVE SUMMARY

Good governance and assurance of our PR24 Business Plan is essential if stakeholders, including Ofwat, are to have confidence in the information we present and to retain stakeholder and customer trust.

We are pleased that our customers trust us more than many other companies in the water sector – for example, the [2022 Water Matters](#) report shows that trust in Northumbrian Water is significantly higher than average; and the separate [Perceptions and Trust](#) report shows that those living in the North East are much more likely to have positive associations with their water company than average. However, we recognise that customer and stakeholder trust is essential to the social contract we have with our customers and communities and that this can quickly be lost. We measure customer trust through our independent trust survey and discuss this as part of our ‘balanced scorecard’ which is discussed with the Executive and Board monthly.

This document sets out our approach to governance and assurance for the 2024 price review (PR24) and our Business Plan submission. It explains our ‘business as usual’ approach to governance and assurance as well as the arrangements that we have put in place to make sure that the Northumbrian Water Limited (NWL) Board is able to submit a high-quality plan. It summarises how we have involved the board in the development of the Business Plan and the level and form of engagement that has been carried out by them. It sets out the assurance questions that the Board has considered, which include all the specific assurance requirements set out by Ofwat but also additional questions that the Board itself considered to be important in submitting a high-quality Business Plan.

It summarises the evidence and assurance that the Board has considered to be confident in providing their assurance. This includes the independent and third-party evidence and assurance that the board has relied upon in being able to assure the final plan which is provided within our Business Plan submission.

NWL has effective governance and assurance arrangements in place that we have relied upon in preparing the plan. Our ‘business as usual’ governance and assurance arrangements cover all areas of our business, including operations, planning, and regulatory reporting. These are overseen by our Board and its Committees and Sub-Committees. We have regard to the requirements of the UK Corporate Governance Code and Ofwat’s Board Leadership principles. For the development of our Business Plan, we have used our ‘business as usual’ approach as much as possible, as these arrangements allow us to take advantage of existing processes, structures, and culture – which have been tested over time under our annual assessment of risks, strengths, and weaknesses. For example, our approach to data assurance is informed by our [assurance plan](#). For some areas, we have added further layers of governance and independent assurance specifically for the development of our Business Plan. We set our strategy for doing this with the PR24 Board sub-group (PR24 BSG) in July 2022, so that this could be applied throughout the development and execution of the Business Planning process.

The Board has been fully involved in the development of and assurance for the Business Plan. Our Board established a sub-group in 2021 (the ‘PR24 Board sub-group’), which includes all our executive directors and independent

non-executive directors (iNEDs) as well as shareholders. This group has met formally 17 times since 2021 to discuss and challenge elements of the Business Plan and other plans (including the [long-term delivery strategy](#) NES_LTDS, [WRMP](#), [DWMP](#), and [WINEP](#)), with separate working sessions held with some of the group on more specific topics. Our full Board has also had regular updates and discussions on the development of the business plan as well discussing some specific topics in relation to the development of the plan. The board formally signed-off the Business Plan for submission at its meeting in September 2023.

The Board has considered all the Ofwat assurance requirements, as well as its own additional requirements.

Ofwat set minimum standards for Board assurance requirements in its [methodology for PR24](#). We agree that all of these minimum standards should be met.

In April 2022, our Board also discussed the assurance questions we would want to ask about our Business Plan, setting a series of high-level questions that the Board would need to be satisfied were fully answered in order to have a high-quality Business Plan. This appendix addresses these high-level questions as well as Ofwat’s minimum standards.

Our Board has put in place a robust and comprehensive framework to test the Business Plan. In this appendix, we explain our framework for governance and assurance including the specific assurance requirements and the evidence that our Board has seen to convince itself that each of the assurance requirements have been met. This includes a range of independent and third-party assurance on specific, more material topics aligned to the assurance requirements that Ofwat provided in its PR24 methodology requirements.

TABLE 1: INDEPENDENT ASSURANCE ON THE BUSINESS PLAN

Area	Assurance
Quality and data	<ul style="list-style-type: none"> Assurance on the data tables supporting our Business Plan has been provided by PwC and Internal audit (NES10) ChandlersKBS (NES61) provided some assurance on tax data tables. The Water Forum (NES47) has challenged the overall quality and ambition of our Business Plan.
Past performance	<ul style="list-style-type: none"> Jacobs (NES62) provide independent assurance on the progress of our PR19 enhancements
Resilience	<ul style="list-style-type: none"> Arup (NES67) provide an independent assessment of our Asset Management Maturity (AMMA) Mott Macdonald (NES52 and NES53) provide evidence of the increasing impacts of climate change and extreme weather events.

Deliverability	<ul style="list-style-type: none"> • Jacobs completed an early report (NES40) for NWL into the actions the business would need to take to be able to effectively deliver such a large investment programme. We invited Jacobs to return and review (NES71) our progress ahead of the Business Plan submission including assessing our progress against the Stantec (NES51) 'checklist' for company boards. • We commissioned a legal review of our obligations in September 2022 ahead of the development of the first iteration of our Business Plan and invited KPMG Law (NES77) to review how our legal obligations have been addressed in the Business Plan and LTS.
Long term (delivery) strategy	<ul style="list-style-type: none"> • We consulted on a draft of our long-term strategy (LTS) in 2023 ahead of finalising that strategy for the Business Plan. We asked Sustainability First to review the draft and provide feedback and latterly to provide assurance (NES74) that our LTS would meet Ofwat's requirements. • Peter John Consulting supported us in the development of the modelling for our Long term strategy and provided some assurance (NES_LTDS10) on that modelling.
Costs and outcomes	<ul style="list-style-type: none"> • Economic Insight provide assurance (NES72) that our base cost proposals and efficiency assumptions are reasonable and stretching. • Mott Macdonald provided assurance (NES68) that our enhancement costs have been robustly developed and are efficient, including via an independent cost benchmarking report (NES63 – not published). • The Water Forum commissioned independent expert challenge (NES48) support in relation to the Business Plan which included review of the committed performance levels and efficiency assumptions.
Risk and return	<ul style="list-style-type: none"> • First economics provide assurance (NES69) in relation to our approach to testing financeability of the Business Plan and the allowed return.
Customer engagement	<ul style="list-style-type: none"> • The Water Forum Customer Engagement Panel (NES46) has challenged the overall quality and ambition of our Business Plan.

Our Board invited the Water Forum (the independent challenge group for Northumbrian Water) to provide comment and challenge on the emerging Business Plan as we developed our proposals; and provide challenge and an assurance report about customer engagement specifically. Our Board wanted an independent challenge to make sure that our Business Plan reflects the preferences of customers, and to make sure that our service levels and costs are stretching and ambitious in line with the vision of the company – but also deliverable. The Water Forum also discussed and reviewed many of our key enhancement investments and challenged us to make sure that we acted in the best interests of customers, including taking into account their views on the need and phasing of these investments.

The Water Forum plays a critical role and has advocated strongly throughout in relation to the appropriate and proportionate testing of proposals with customers, alongside providing more detailed expert challenge in a number of areas. Their advice and opinion played an important role in the Board's deliberations and we welcome and thank them for their challenge and input.

We have tested the plan against these assurance questions and our Board has provided an assurance statement covering all the areas Ofwat has set out. We have tested our Business Plan and [long-term strategy](#) (NES_LTDS) against the assurance questions and our Board has provided a full assurance statement, signed, and approved by our Board (see Section [8](#)).

Our Board assurance statement also explains how we have tested against the assurance questions, and we set out the evidence for this in Sections [6](#) and [7](#). There were some areas where meeting the assurance requirements were more challenging:

- **The Business Plan is financeable to allow debt to be raised on reasonable terms. But our Board is concerned about the equity financeability of the plan under the Ofwat ‘early view’ return.** We have used the Ofwat ‘early view’ return, updated for market return data, as required by the PR24 methodology. When we use this, our Business Plan is financeable under the notional structure for the traditional credit metrics that Ofwat uses for financeability. This is only the case after applying mitigations, including a £400m equity injection which is required under both the notional and actual structure. However, our Board is concerned that Ofwat’s ‘early view’ return will be insufficient to attract the necessary equity financing, a view that was also confirmed by First Economics in their assurance. So, we have set out an ‘alternative return’ which we believe would be financeable to equity.
- **The Board is confident that NWL is doing all it can to make sure that the Business Plan is deliverable but given the scale of the investment programme for the 2025-30 period this remains a risk that the board will continue to monitor carefully.** The independent assurance provided by Jacobs confirms that NWL’s progress in relation to preparing for the forthcoming investment programme is generally ‘good’. However, given the scale of the investment programme the board will continue to focus on this area through the Risk and Compliance sub-group.
- **The Board is confident that the plan will enable NWL to meet its legal obligations to 2030, indeed some aspects of the plan will help to reduce risks highlighted in NWL’s most recent risk and compliance statement to Ofwat. However, it notes that new obligations are still emerging, including from the Levelling Up and Regeneration Bill (LURB) and ongoing discussions with regulators. The plan submitted represents the best current view of this and we have provided additional information to Ofwat through supplemental data tables to help address any uncertainty.** An independent legal review notes that *‘the Plan and LTDS contain proposals which are clearly targeted at delivering against the core legal obligations outlined below during AMP8’*. In relation to the nutrient neutrality proposals the same advice notes *‘With respect to nutrient neutrality specifically, we understand that NWL’s Plan will contain its preferred nature-based solution, despite this having been formally rejected by EA during its WINEP process (which is a legally binding process). However, as noted above the legislation that will give legal effect to the underlying targets is yet to be finalised. Indeed amendment 247YV to s.158 LURB was agreed by the House of Lords on 14.9.23 which gives the Secretary of State the power to modify or revoke the clause 158 duty on water companies to upgrade certain sewage plants. This introduces statutory flexibility that could enable NWL’s preferred*

solution to be accepted by the EA. However, to account for the possibility that it will not, we understand that NWL will be providing the relevant cost data for the alternative solution as well as suggesting a notified item which could be triggered if the LURB, once adopted, confirms the EA's current position. In that context, where NWL is actively engaging with relevant stakeholders to drive the necessary change in the legal obligations/requirements for compliance, the decision to include the alternative proposal in the Plan with the relevant caveats appears reasonable at this stage in the price control process'.

- **Data table assurance was substantively complete at the time of the submission.** The Board met to consider the final Business Plan including the assurance evidence at its meeting on 19 September. At that time the assurance work on the Business Plan was substantively complete allowing the board to formally agree the submission with the exception of the data table assurance which was ongoing. The board delegated final sign-off to the Chair of the PR24 sub-group (PR24 BSG) and the CEO subject to the satisfactory progress of the data table assurance. On the 29th of September, the Chair of the PR24 BSG and the CEO agreed that all other assurance had been completed and that the data table assurance process had been substantively and materially completed and the plan and associated data tables should be submitted. If any data quality issues arise during the final steps of the data table assurance process then we will inform Ofwat of those issues by 6 of October.

2. INTRODUCTION

The purpose of this document is to set out the approach we have taken to data, information, and assurance throughout the development of our long-term strategy and PR24 Business Plan.

Ofwat set minimum standards for Board assurance requirements in its [methodology for PR24](#). We agree that all of these minimum standards should be met, but we wanted to go further than this. In April 2022, our Board discussed the assurance questions we would want to ask about our Business Plan, setting a series of high-level questions that the Board would need to be satisfied were fully answered in order to have a high-quality Business Plan. This document addresses these high-level questions as well as Ofwat's minimum standards.

We also invited the Water Forum (the independent challenge group for NWL) to provide assurance to the Board, particularly considering where this relates to the Water Forum's role in championing on behalf of customers and challenging our Board to understand the impact of decisions before they're taken.

This document shows how these high-level assurance questions fit with more detailed technical assurance to make sure that our decisions have been made using the best possible information.

A good assurance process is about agility and continually challenging and revising our plans throughout the process, not just checking numbers and facts. Nonetheless, we still need to make sure that the data and information we provide to stakeholders, including Ofwat, is consistent, accurate, and fully assured using effective internal systems, controls, and processes. We update our [Assurance Plan](#) periodically, explaining our assurance framework and our data assurance system and consulting on our risks, strengths and weaknesses. In this document, we explain how this framework and approach has been used for our Business Plan submission.

Finally, this document shows how we have considered our wide variety of audiences to create a clear, accessible Business Plan. Our [Business Plan](#) (NES01) and [long-term strategy](#) (NES_LTDS) summarise the plan at a high level and are aimed at stakeholders who want to understand the whole plan. This document, alongside a series of similar appendices, seeks to support informed stakeholders, including Ofwat, who want to understand more technical detail in assessing our Business Plan.

2.1. BUSINESS PLAN NAVIGATION

This appendix supports Ofwat in the assessment of the 'data, information and assurance' tests in the Quality and Ambition Assessment, as set out in [the PR24 methodology](#):

TABLE 2: MINIMUM EXPECTATIONS FOR DATA, INFORMATION AND ASSURANCE

Minimum expectations (from Ofwat methodology)	Where is this covered?
The plan is accessible and follows a clear structure, meeting our requirements as specified in our guidance, such as page and document limits where specified.	Section 9
The company's PR24 Business Plan is fully consistent with the long-term delivery strategy and the company presents a single adaptive strategy, rather than multiple alternate plans.	Section 6.4 , long-term delivery strategy (NES_LTDS)
The company provides sufficient and convincing evidence to demonstrate how its track record of performance, or lessons learnt from poor performance, support the credible delivery of the proposals in its plan	A6 – Deliverability (NES07) and A4 – Outcomes (NES05)
The company's full Board provides an assurance statement that meets our Board assurance requirements as specified in our guidance.	Section 8 , supported by evidence in Section 6
The company provides the data and information as requested in our methodology and Business Plan tables. This data and information is consistent, accurate and assured using effective internal systems, controls and processes.	Section 7

Ofwat has not set any criteria for ‘ambition’ against these tests and does not propose assessing ‘ambition’ in this test area. However, there are some features of our approach to assurance and governance that are more ambitious than the minimum expectations. In particular, applying our high-level assurance questions throughout the process of developing the Business Plan have helped us to make sure that our Business Plan is consistent with our [purpose, vision and values](#) as an organisation; to make sure that our plan really is supported by customers; and to make sure that we have considered the impact on stakeholders and shared objectives with them in our supply areas. This helps us to focus on caring for the essential needs of our communities and environment, now and for generations to come. We describe these high-level assurance questions in Section [5.2](#), and our approach to these specific questions in sections [6.1](#) and [6.10](#).

This also helps to make sure that we can continue to make progress towards being the national leader in providing sustainable water and wastewater services, in a way that is consistent with our values. In particular, we have focused on making sure that our Business Plan is customer focused, ethical, and innovative. Our approach to assurance has helped us to challenge ourselves to stay on this course.

3. BACKGROUND

3.1. LIVING OUR PURPOSE

Our [PR19 Business Plan](#) was structured across six key themes to deliver the outcomes that mattered most to our customers. These themes were shaped by conversations with our customers and stakeholder organisations who are impacted by our activities – allowing us to co-create a PR19 Business Plan which reflected a genuine understanding of customers’ and stakeholders’ priorities. 91% of customers accepted our PR19 plan.

These themes reflected our role and culture as an ethical water and wastewater company, and how we had chosen to work. However, we recognised that this was not yet truly **purpose driven**. We wanted to articulate a clear, authentic, and long-term purpose for ourselves, and to link our day-to-day work (and future Business Plans) explicitly to delivering this purpose.

In 2019 and 2020, we stepped back and looked again at our role as a water and wastewater company, both in our local regions and within the wider water sector nationally. We redefined our Purpose Statement, working with Business in the Community (BITC) and engaging with employees, customers, and stakeholders to give us a powerful, relevant, and shared understanding of why our company exists. Since 2021, we have worked on embedding our Purpose in the business and developing an approach to effectively measure and transparently communicate how [well we implement our Purpose](#).

Our Purpose is:

“Caring for the essential needs of our communities and environment, now and for generations to come.”

We do this by providing reliable and affordable water and wastewater services for our customers. We make a positive difference by operating efficiently and investing prudently, to maintain a sustainable and resilient business.

Our Purpose is designed to convey why a business exists and guide strategies and behaviours, considering the role we can play in improving society and applying this to how we deliver services and customer experience. As a water and wastewater company, we are at the heart of our communities and our natural environment. Caring for them is always our priority.

We have worked to embed our Purpose in the business, and to link the work we do every day to this shared purpose including our business plan for PR24.

As part of our assurance, we have set high level assurance questions which seek to make sure that our Purpose is embedded throughout the Business Plan and long-term strategy. This includes asking: Is our plan consistent with our purpose, vision, and values? This supports the ‘purpose, values and culture’ objective of [Ofwat’s Board Leadership principles](#) much more effectively than at PR19. We discuss this further in Section [6.1](#).

3.2. PR19 LEARNING

In its [initial assessment of our PR19 plan](#), Ofwat scored our plan a 'C' in this area. That is, 'concerns with the plan – falls short of high quality and/or evidence is insufficient and/or unconvincing in some areas'. This was mostly because our plan did not provide all the required Board assurance statements in full, and some were not supported by sufficient evidence of the Board's challenge and satisfaction process. In particular:

- We provided only partially compliant statements on whether our Board collectively owned the overall strategy and direction of the plan in the long-term; affordability and whether our large investment proposals are robust and deliverable, a proper assessment of options has taken place, and the option proposed is the best one for customers.
- We did not provide evidence that our Board had been able to demonstrate that our governance and assurance processes will deliver operational, financial, and corporate resilience.
- We did provide sufficient and convincing evidence that our Business Plan tables were consistent, accurate, and assured. We had aspects of high quality in our track record on assurance, with a 'self-assured' category awarded in the 2017 Company Monitoring Framework assessment, but minor issues in the WRMP and cost assessment categories meant this area received a 'C' too.
- We provided sufficient and convincing evidence that we would deliver and monitor the delivery of our outcomes, including statutory and licence obligations as well as taking account of the UK Government's strategic policy statement.
- We did not provide sufficient evidence that we would have appropriate measures to provide a fair balance between customers and investors, or high levels of engagement and transparency on corporate and financial structures and how they relate to financial resilience. Our voluntary sharing mechanism for water poverty was assessed as high quality, but we did not propose sufficient detail on dividends, executive pay, or gearing benefits sharing. At PR24, this is included in the 'risk and return' category.

As part of our revised plan at PR24, while the assurance requirements have changed, we sought to address these issues in our approach but also learn broader lessons from the PR19 experience.

We revised these partially compliant statements and have sought to provide the additional evidence required (see Table 1) including in relation to delivery of our legal obligations.

We significantly strengthened our large investment proposals (or enhancement cases) including ensuring robust options appraisal is in place and that costs were subject to benchmarking to ensure their efficiency. Ofwat's assessment of our enhancement business cases at PR19 showed that these did not sufficiently meet the criteria. The subsequent reinstatement of some of these investments by the CMA showed that this was not necessarily about whether or not these

investments were the right ones, but about weaknesses in our ability to demonstrate the evidence supporting them. We appointed a PR24 delivery partner of Mott Macdonald and Stantec to support the development of these cases.

We continued to develop our approach to resilience and have undertaken substantially more work both to better align resilience thinking into our corporate risk management processes and also to examine in greater detail the major operational and financial risks we face as a business for example through our work on [deliverability](#) (NES40) or climate change risks ([NES52](#) and [NES53](#)) or [asset health](#) (NES35).

We wanted to show a clearer line-of sight between customers research and the choices in the Business Plan. Our PR19 customer research programme was high quality, and we have continued to improve on this since. Our Appendix [A7 – Customer and Stakeholder Engagement](#) (NES08) describes how we developed our strategy for customer research at PR24, meeting Ofwat’s requirements and standards for research, challenge, and assurance. This includes review and scrutiny from our independent Customer Engagement Panel. We were confident at PR19 that our customer engagement and evidence from the Water Forum was independent and robust, but others did not think we showed this enough. However, the existence of customer research does not – on its own – provide sufficient evidence for our Board to be confident that customers and stakeholders really support our plan. We wanted to make sure that operational teams were closely involved in designing customer research questions and managing relationships with stakeholders, and we wanted to make sure that it was clear how this evidence had been weighed up alongside other constraints and evidence. We developed our approach to research and planning triangulation, with methods established for weighting evidence sources and dealing with tensions and conflicting evidence or priorities. Our line-of-sight reports, written by operational teams along with our customer research team, show the evidence we have considered and the rationale for our decisions in key areas of the plan. Section 5 of Appendix [A7 – Customer and Stakeholder Engagement](#) (NES08) explains how we did this and provides links to these line-of-sight reports. These reports provided our Board sub-group with evidence to test that they could be confident that customers and stakeholders really support our plan. In addition to this, the Board sub-group had access to our customer research reports ([published here](#)) and observed customer research sessions, as well as seeking challenge throughout the process from our Water Forum and Customer Engagement Panel. This meant our planning triangulation could be done in both a top-down and bottom-up way.

We wanted to develop both a ‘top-down’ and ‘bottom-up’ plan. Our PR19 lessons learned exercise identified that the approach used to producing our Business Plan meant that it was difficult to demonstrate deliverability, with additional work needed to satisfy our Board that our plan was deliverable and the outturn position showing considerable overspending against allowances (although some of this was down to unusual input cost pressures). In response to this, we introduced a new operating model – with a service planning framework that incorporates a rolling five-year delivery plan. As part of this, we have made our operational teams responsible for making sure that plans are robust, with costs that are efficient, realistic and deliverable. We also provided resources to the Water Forum for them to appoint an independent technical expert to challenge the PCL targets that were being set and the robustness of the plans to deliver those targets, see [Independent expert challenge report](#) (NES48)

Finally, we considered the fair balance between customers and shareholders in our plan, including introducing new sharing arrangements including a £20m hardship fund from shareholders, reinvestment of capital maintenance funding, improved service offering to customers subject to repeat sewer flooding and indexation of the risk-free rate, which we estimate would return c.£92m to customers. We highlight these in our [main Business Plan](#) (NES01).

Since PR19, we continued to consult on our draft assurance plan annually until last year when we moved to a longer cycle, building on the established approach to drive continuous improvement. We have published the programme of work we have carried out on assurance, explaining how this has improved in each area from year to year. These assurance plans include how we have assured DWMP, WINEP, WRMP information as well as other information we provide to Ofwat relating to the price review (such as cost assessment tables). This includes inspecting corporate systems which store the data, and tracing this through to the tables – with a combination of both internal and external independent assurance.

This approach has helped to strengthen our data assurance by improving and refining our processes each year, leading to better information and more transparency about the work we do on this. We have continued to consult on and publish our assurance plan each year.

We have learned some lessons from PR19, particularly on our Board assurance statements. This appendix sets out our Board statements and the supporting evidence in much more detail than at PR19. Our Board agreed the overall strategy and approach to assurance earlier in the process at PR24, setting high-level assurance questions and examining other long-term planning frameworks (such as WRMP and DWMP).

4. OUR APPROACH TO ASSURANCE – BUSINESS AS USUAL

Our 'business as usual' governance and assurance arrangements cover all areas of our business, including operations, planning, and regulatory reporting. These are overseen by our Board and its Committees and Sub-Committees. In this section, we demonstrate that we have robust governance and assurance arrangements in place. We explain how we have regard to the requirements of the UK Corporate Governance Code and Ofwat's Board Leadership principles, describe our approach to risk management, and present our approach to assurance.

For the development of our Business Plan, we have used our 'business as usual' approach as much as possible, as these arrangements allow us to take advantage of existing processes, structures, and culture – which have been tested over time under our annual assessment of risks, strengths, and weaknesses. For some areas, we have added further layers of governance and independent assurance specifically for the development of our Business Plan. We set our strategy for doing this with the PR24 BSG in July 2022, so that this could be applied throughout the development and execution of the Business Planning process.

4.1. OUR ASSURANCE APPROACH

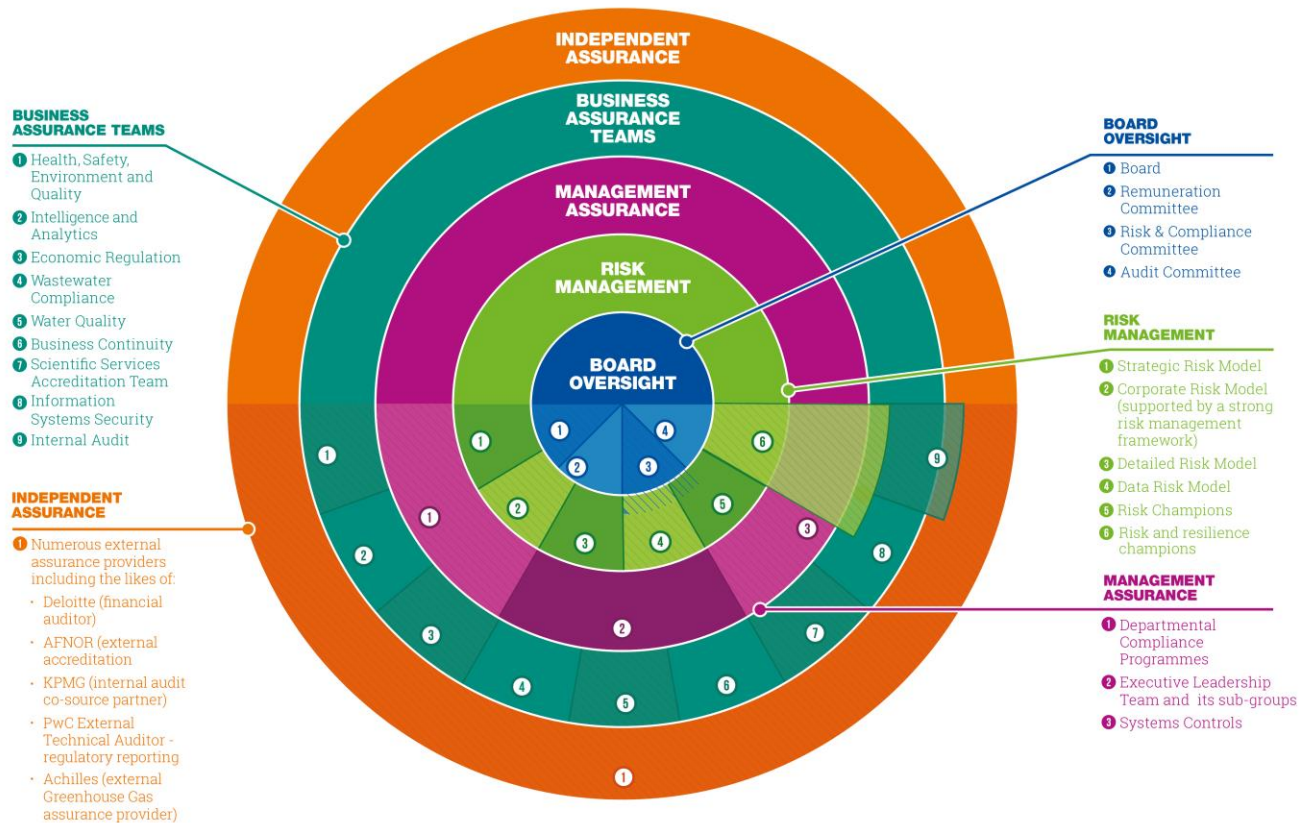
Our [assurance plan](#) sets out our assurance approach. We publish this to demonstrate to our customers that we are a company that they can trust. It is our assessment of our current strengths, risks, and weaknesses – and how we plan to make sure that the information we publish is correct.

We consulted on our approach in February 2022, and after more than 8,400 responses from our customers and our Water Forum, we published our final assurance plan for that year in March 2022. Publishing our plan regularly has led to 83% of respondents being confident that the information we would publish in 2022/23 will be correct and true (our 2022 final assurance plan)¹.

Our approach to corporate governance and assurance is well-established, and we update this each year in response to feedback from our customers and stakeholders. We have a strong track record on assurance and were previously rated 'self-assurance' in Ofwat's 2017 Company Monitoring Framework assessment. This is visually represented by our Assurance Framework, below.

¹ As described in our response to our consultation on risks, strengths and weaknesses for 2021/22.

FIGURE 1: OUR ASSURANCE FRAMEWORK



4.2. BOARD RESPONSIBILITIES AND PROCESSES

Our Board sets, governs, monitors, and supports the implementation of the company’s vision, values, standards and strategy. They make sure that we comply with company policies and legal and regulatory obligations. Northumbrian Water Limited operates as a stand-alone company within the Northumbrian Water Group. Our Board functions as an integrated unit and each director understands their responsibility to act in the interests of the company.

Our licence requires us to have regard to the UK Corporate Governance Code and Ofwat Board leadership principles. Our Annual Report and Financial Statements explains how we meet these requirements. For the PR24 Business Plan, we focused on one of these principles – establishing our purpose, strategy, and values – and how we challenged ourselves that our business plan is consistent with the purpose, vision, and values our Board has set (see Section 6.1).

Under its legal obligations the NWL board provides an annual Risk and Compliance statement to Ofwat confirming its ability to meet its legal obligations. In 2023, following the experience of the Ofwat Flow to Full Treatment (FFT) investigation we updated and improved the internal processes around that compliance statement.

4.3. AUDIT COMMITTEE

Our Audit Committee comprises our five Independent Non-Executive Directors (INEDs) and assists our Executive Director and NEDs in carrying out their individual and collective duties and responsibilities as a unitary board in relation to:

- making sure that our financial and accounting systems provide accurate and up-to-date information on our current position;
- making sure that our published financial statements represent a true and fair reflection of this position;
- making sure that our regulatory reporting systems are robust, and our regulatory reports are accurate; and
- assessing the integrity of our internal financial controls.

The Audit Committee is also assisted in its duties by the Risk and Compliance sub-committee.

4.4. RISK AND COMPLIANCE SUB-COMMITTEE

The Risk and Compliance sub-committee helps the Audit Committee to assess the scope and effectiveness of our risk management systems and the integrity of our internal financial controls. The committee comprises at least two INEDs, one being Chair, and with at least one having recent and relevant financial experience. This sub-committee oversees and makes recommendations on:

- sponsoring the risk management process;
- setting the tone and influencing the culture of risk management - including risk appetite and standards;
- approving major decisions affecting risk profile and exposure;
- monitoring the management of significant risks; and
- satisfying itself that less significant risks are being actively managed with appropriate controls in place and working.

4.5. MANAGEMENT ASSURANCE

Our Executive Leadership Team implements the Board's strategies and closely monitors performance. This includes making sure that we take scrutinising performance and identifying and managing risk seriously, with the appropriate assignment of responsibilities and accountabilities. This is supported by annual assurance on systems and controls.

4.6. BUSINESS ASSURANCE

Our business assurance processes include many teams which are separate from our operational activities which monitor, capture, and manage the data we report (for example: information systems security; health and safety). In particular, this

includes our Internal Audit team. This team is accountable directly to the Board through the Audit Committee and provides strong, independent assurance.

4.7. INDEPENDENT ASSURANCE

Our business assurance teams are supplemented with external specialist providers where we require technical and/or external assurance.

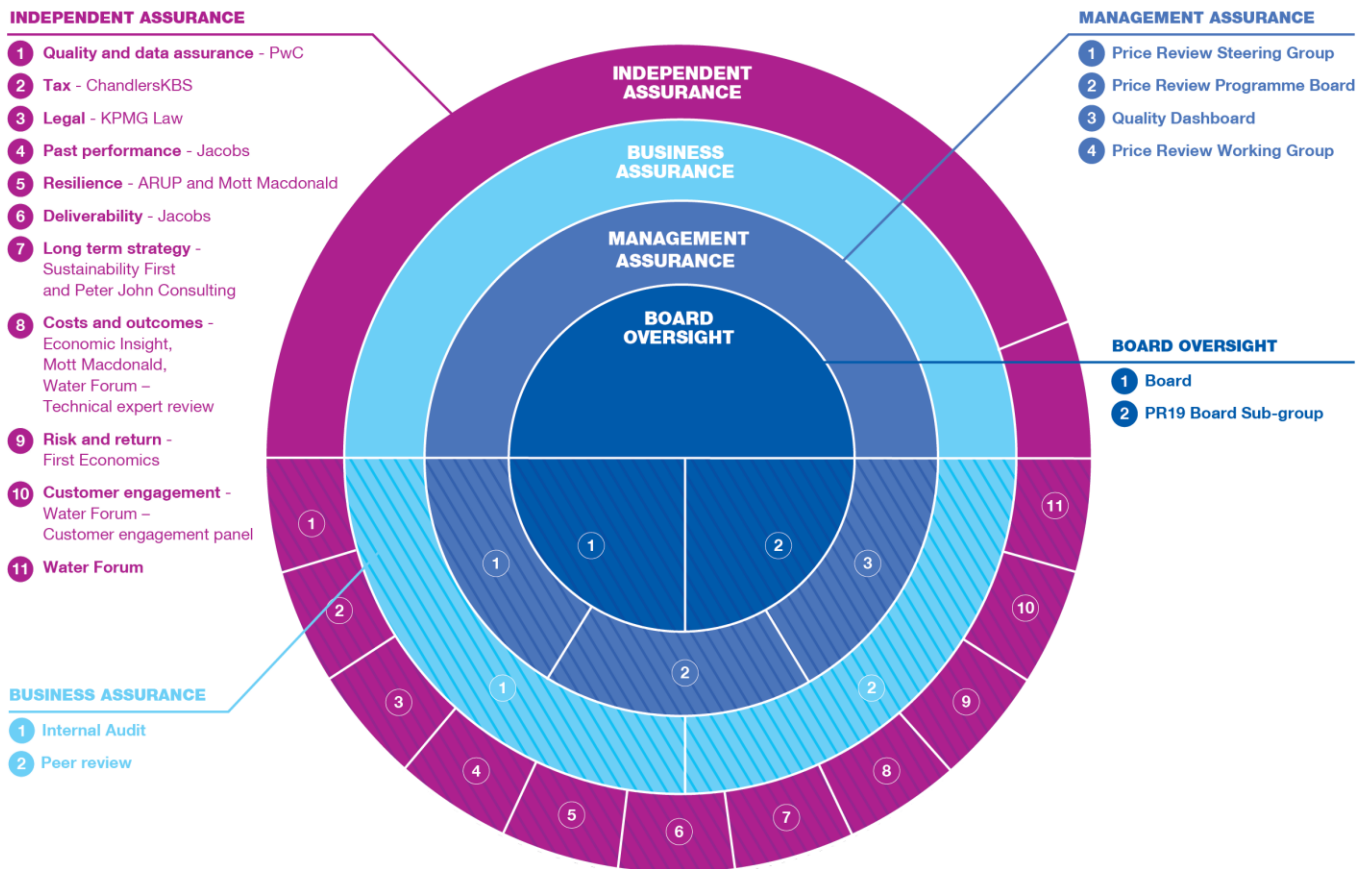
5. OUR PR24 ASSURANCE APPROACH

We use the governance and assurance described in Section 4.1 for all company activities, including price reviews. In addition to this, we have put additional management and assurance in place for PR24, which we describe in this section.

The assurance framework for the development of our plan has built on our well-developed and embedded ‘business as usual’ assurance framework. We adopted a similar governance structure to PR19 because we considered this had been effective. The Business Plan was overseen by the Board and its Committees and Sub-committees, and supported by three lines of assurance, as highlighted in Figure 2 below:

- management;
- business; and
- independent assurance.

FIGURE 2: PR24 ASSURANCE



5.1. GOVERNANCE AND OVERSIGHT

5.1.1. PR24 governance

We adopted a governance structure for the preparation of the 2019 Business Plan including creating dedicated sub-groups of both the NWL board and the executive as well as more working level governance. When we reviewed the 'lessons learned' from the PR19 experience we found that this was considered to be effective, so we continued to use a similar model for the preparation of the 2024 Business Plan. This structure is summarised below.

FIGURE 3: PR24 GOVERNANCE



5.1.2. Board oversight

Every member of our Board has endorsed our Business Plan. Board members have been able to do this with confidence because:

- The Board has led the development of our strategy, customer and stakeholder engagement arrangements and assurance processes, and has extensively reviewed and challenged the business plan. This has been done throughout the development of our long-term strategy, DWMP, WRMP, WINEP, and the 2025-30 Business Plan.
- We have fully effective assurance arrangements in place.
- Our comprehensive PR24 independent assurance has been effective and where issues have been raised, they have been resolved.

Our Board formed a dedicated PR24 Board sub-group to provide integrated support to both the Board and management in driving forward and assuring preparation of our PR24 Business Plan. All of our independent non-executive directors sit on this group, as do some other Board members and the relevant executive team members. This sub-group met 17 times from July 2021 through to August 2023 (see Table 3). The Board sub-group’s role was to:

- make sure that the governance and assurance arrangements underpinning the preparation of the plan are robust and comply fully with Ofwat’s requirements for PR24;
- set the strategic direction on all aspects of PR24;
- resolve matters escalated from our Price Review Steering Group;
- review progress against the PR24 project plan; and
- keep the Board fully informed of progress and of any material issues.

TABLE 3: PR24 BOARD SUB-GROUP DISCUSSIONS

Month	What was discussed?
July 2021	PR24 strategy, including considering lessons learned from PR19 and the CMA appeal. BSG also discussed future scenarios under the long-term delivery strategy to make sure we would have an agile plan.
October 2021	Key policy issues, long-term planning, water resources management plan (WRMP), and asset health and capital maintenance requirements. BSG challenged our early WRMP conclusions, and approved work with the sector on asset health and climate change adaptation. They noted the greater volatility and uncertainty expected in future.

January 2022	Base costs and service levels, long-term delivery strategy, drainage and wastewater management plan (DWMP). BSG considered our likely improved position on cost efficiency and outcome performance commitments, and challenges for PR24. BSG also appointed our PR24 delivery partner to support us in developing and assuring base and enhancement costs.
April 2022	Initial consideration of Board assurance questions, further details on our understanding of asset health, deep dive into environment and public value. BSG also discussed independent advice on our customer engagement for PR24 (see our report published by Ofwat) and our proposed programme of customer engagement activities.
June 2022	Assurance of our draft DWMP, and initial risk and return strategy. BSG discussed its expectations on storm overflows and the scenario costs for our draft DWMP consultation, and how the assurance requirements had been met with elements of our assurance framework (such as using specific business assurance and external assurance).
July 2022	Ofwat's methodology consultation, WRMP update, and the Board's quality and assurance strategy for PR24. BSG set assurance questions that they would need to satisfy to provide Board assurance on the Business Plan. During July and August, BSG members also provided comments and drafting for our response to Ofwat's PR24 methodology consultation.
September 2022	Assurance of our draft WRMP, and discussion of emerging difficult investment choices. BSG considered how assurance requirements had been met for the draft WRMP and discussed the content and targets. BSG also discussed early indicative enhancement costs, noting for the first time the emerging scale of WINEP in the context of storm overflows, technically achievable limits for nitrogen, asset health, climate change adaptation, WRMP, raw water deterioration, and other pressures on bills. BSG discussed priorities and the need to carry out further work to i) assess the deliverability of such a programme, working with others in the region; ii) continue to seek different and more affordable approaches to meeting the objectives of these investments, including engaging with government and regulators to influence policy and obligations and considering alternative and innovative options; and iii) expand our programme of engagement with customers and the Water Forum to support making these difficult decisions at PR24.
October 2022	Progress on difficult investment choices, including a summary of legal obligations and the impact these had on the options for enhancement costs. BSG discussed where different organisations could provide flexibility to help mitigate the impact of competing investment needs – including ourselves, but also where we could ask regulators and government to consider changes. BSG considered the customer evidence on priorities, including regulator views and legal requirements.

November 2022	Deep dive on affordability, our (revised) customer engagement strategy and progress, and the key considerations on base costs and enhancement costs, including delivery and regulatory risks. In particular the BSG reviewed the potential impact of the plan on customer bills and the affordability challenges in light of the cost-of-living crisis. Early discussions were held on remedies to ensure plans could remain affordable for customers which the BSG wished to return to once the shape of the plan was clearer.
December 2022	The draft Business Plan – our initial package of costs and outcomes, before pre-acceptability customer engagement from January 2023. BSG approved options on base costs and packages of enhancements to take forward to customer research (taking views from the Water Forum into account). BSG also received a detailed report on deliverability of the plan and asked for further work to be done on deliverability and financeability.
January 2023	Final Ofwat methodology and strategy for our Business Plan, deliverability, asset health updates, and outline of the long-term delivery strategy (LTS). BSG agreed to take actions to bring forward our preparations for delivering our 2025-30 Business Plan, given the likely large investment programme, as well as further actions to mitigate the impact of this on customer bills. BSG provided challenge on the emerging LTS including on the long-term trajectory of bills and the financeability challenges implied by the early analysis as well as numerous more detailed points.
March 2023	The final Business Plan – our updated package of costs and outcomes, reflecting early Water Forum challenges and the results from the pre-acceptability customer engagement. The decisions here were used for our affordability and acceptability testing from April 2023.
April 2023	A summary and final decisions for our final DWMP , discussions about the balance of risk and return in the plan, and the emerging findings from the Water Forum independent advisor’s review. Separate discussions on financeability and deliverability, including updates on transformation programme.
May 2023	Affordability and inclusivity; assurance for our final DWMP; long-term delivery strategy (before consultation on the LTDS in June); and assurance for final WINEP.
June 2023	Our ‘bronze book’ – the first draft of the Business Plan. BSG discussed how they would review individual sections including appendices and enhancement cases and reviewed the assurance requirements they had previously set out. BSG also agreed shareholder funding for affordability and inclusivity. Separate discussions on accelerated investment and DPC. Challenge from Water Forum (representatives attended this meeting).

July 2023	Our 'silver book' – the second draft of the Business Plan. Assurance on our final WRMP . Long-term delivery strategy consultation responses. Qualitative affordability and acceptability research results. Our full Board also discussed accelerated investment.
August 2023	Our 'gold book' – BSG discussed the final draft of the Business Plan, before making recommendations on assurance to our full Board (in September).

In addition to our Board sub-group meetings, we provided similar information to the Water Forum. This included our draft and final Business Plan, bronze, silver, and gold book in full.

In addition to PR24 Board sub-group meetings, the Board sub-group agreed that they would carry out deep dives and visits to understand the plan in more depth. BSG nominated members to provide further scrutiny on aspects of the plan. This included:

- Attending a series of workshops to develop our long-term delivery strategy between October and December 2021 and in early 2022.
- Providing advice and more detailed scrutiny to planning teams across our company – for example, Bridget Roswell was nominated as the Board lead on resilience and provided advice and expertise on asset health; Peter Vicary Smith was nominated as the Board lead on customer engagement and provided scrutiny on our customer engagement strategy.
- Observing qualitative customer research sessions, providing feedback and views to our customer research team and challenging planning teams on how these views were taken into account in our planning process.
- Attending meetings of our Water Forum, to make sure they have first-hand understanding of their challenges and how we have addressed there.

The Board sub-group worked closely with our Executive Leadership Team and relevant senior managers, as well as with external assurance providers. The PR24 team provided regular updates on progress to the Board sub-group.

5.1.3. Our high-level Board assurance questions

Our Board sub-group discussed the Ofwat requirements for Board assurance in April 2022 and set high-level assurance questions that would need to be answered to test that the Business Plan is high quality and can be delivered. These included Ofwat requirements – updated following Ofwat’s methodology in December 2022 - as well as some of our own objectives for the Business Plan, and are broken down into three categories:

1. Does the plan allow us to meet our obligations and the expectations of our customers and stakeholders?
 - a. Is our plan consistent with our **purpose, vision, and values**? (Section [6.1](#))
 - b. Are we confident that we can meet our **statutory obligations**, now and in the future? (Section [6.5](#))
 - c. Are we confident that we will deliver **operational, corporate, and financial resilience**? (Section [6.6](#))
 - d. Do we understand where the **risks and decision points are** in delivering the plan? (Section [6.11](#))
 - e. Is our plan **deliverable**? (Section [6.8](#) and additional high-level questions)
 - f. Does the Business Plan have a **fair balance of risk and reward** for customers and shareholders? (Section [6.9](#))
2. Is our plan supported by customers and stakeholders? (Sections [6.3](#), [6.7](#), and [6.10](#))
 - a. Is our plan really supported by customers, and is it acceptable and affordable in the long-term?
 - b. Does our plan consider the impact on stakeholders and shared objectives with them in our supply areas?
3. Do we understand where the risks are likely to be in the regulatory process – and do we understand the impact on our long-term plan? (Section [6.11](#))

These high-level questions are in addition to testing that systems, controls, and processes were appropriate to provide high quality data and decision making throughout the Business Plan process.

We describe how we tested our plan against these high-level questions in Section [6](#) ‘Meeting the Board Assurance Requirements’. Where we have set some of our own objectives, or where we think the Ofwat minimum requirements for the Business Plan could be enhanced, we describe this alongside how we have met the Ofwat requirements.

5.1.4. Managing risk

The Board, supported by the Audit Committee and the Risk and Compliance sub-committee, has ultimate responsibility for risk management and for determining risk appetite. The Risk and Compliance sub-committee receives regular updates on top-rated risks and priorities for assurance and conducts ‘deep dives’ into key areas of risk.

On the Board's behalf, the Risk and Compliance sub-committee has conducted a robust assessment of the principal risks facing the company. These risks, and how they are managed, are described in detail in our Annual Report and Financial Statements as well as the annual Risk and Compliance statement. We have also robustly stress tested these risks in our viability statement assessment which, in turn, has fully considered all detailed guidance from Ofwat.

Our Business Plan supports how we address many of the risks in our corporate risk register, and we have examined potential shocks and stresses to our resilience as part of our resilience framework (see Appendix [A8 – Resilience](#), NES09). As part of our PR24 programme, we also considered some further risks and how we might mitigate this. In particular:

- Risks to the **delivery** of our PR24 Business Plan and long-term delivery strategy. We needed to understand the challenges in delivering our plan, and how different scenarios could affect this (see Appendix [A6 – Deliverability](#) (NES07), for our approach to deliverability; and [A5 – Risk and Return](#) (NES06), for our scenario testing).
- Risks in the **regulatory process**. We would not be able to accept Ofwat determinations if these would not allow us to meet our obligations, and we needed to understand the likely range of outcomes and how we could mitigate this risk (see Section [6.11](#)).
- **Data forecasting** risks. As part of our annual reporting process, our assurance framework examines our data reporting carefully. For the Business Plan, we extended this process and aligned this to our annual reporting – but we also forecast some key numbers. Getting these wrong could mean an incorrect assessment by Ofwat or could leave us unable to deliver the plan (see Section [7](#)).

5.2. MANAGEMENT ASSURANCE

Our Price Review Steering Group oversees the implementation of the Board's strategies and monitors performance. It provides strategic direction to the programme team, and the discussions at this group help to prepare for our Board challenge and assurance. Individual members of our senior management were responsible for different elements of our planning (for example, WRMP and DWMP) and used this forum to co-ordinate.

Our PR24 programme uses existing management structures and control, and plans are shared and scrutinised with governance and expert groups (for example, the water and wastewater leadership teams). Our regulatory team draws the plan together, providing expert strategic and technical challenge. Along with our 'business as usual' assurance, the PR24 programme provided our '**first line**' of assurance – developing and maintaining sound processes, systems, and controls. Our operational functions already directly own and manage services and their associated risks, but this helped to make sure that planning was consistent and drew on the right technical and expert knowledge.

TABLE 4: OVERVIEW OF PR24 RACI

Area	Responsible Executive	Responsible Board member
Business Plan (NES01)	All	All
A1 – Customer Affordability (NES02)	Customer Director	Peter Vicary-Smith
A2 – Data, information and assurance (NES03)	Finance Director/Regulation Director	Richard Sexton (Chair of PR24 Board Sub-group)
A3 – Costs (NES04)	Regulation Director	Bridget Rosewell
Water enhancement cases	Water Director	Jacque McGlade
Wastewater enhancement cases	Wastewater Director	Alan Bryce
A4 – Outcomes (NES05)	Wastewater Director	Alan Bryce
A5 – Risk and Return (NES06)	Finance Director/Regulation Director	Richard Sexton and Kim Slaminka (CKI representative)
A6 - Deliverability (NES07)	Assets Director	Alan Bryce
A7 – Customer and Stakeholder Engagement (NES08)	Customer Director/Communications Director	Peter Vicary-Smith
A8 – Resilience (NES09)	Assets Director	Bridget Rosewell (assets) / Jacque McGlade (climate change)
Resilience enhancement cases	Assets Director	Bridget Rosewell (assets) / Jacque McGlade (climate change)
WRMP	Water Director	All
DWMP	Wastewater Director	All
WINEP	Wastewater Director	All
Long-term delivery strategy (NES_LTDS)	All	All

To support this, the PR24 programme nominated leads for each workstream, who reported every two weeks to the Price Review Working Group. This group was open to people working on PR24 across all directorates, including Executive Leadership Team members, reflecting the need for the Business Plan to be scrutinised, challenged, and supported across the whole our company.

We appointed five people across the water, wastewater and customer directorates to work within the PR24 programme team – but embedded within strategic planning teams. We appointed a delivery partner to work with our water and wastewater teams in developing our base and enhancement plans, which require detailed analysis and advice from engineers. This work reports to a senior leadership group with representatives from our delivery partner, as well as our regulation and asset directors, to provide further management challenge. This supports consistency between our planning

processes and makes sure that we have the appropriate expertise and wider experiences, supporting our Directors and Board in their challenge and review.

Our governance in the PR24 programme provided a 'second line' of assurance by making sure we had the appropriate framework for decision making. This included building in the right processes, guidelines, and agreed tools to make sure that our analysis and planning were robust. We used 'gateway' reviews in December 2022, March 2023, and May 2023 to assess our emerging Business Plan – and then further 'gateway' reviews in June, July and August 2023 to test against our assurance questions for the Business Plan itself (or 'bronze', 'silver', and 'gold').

5.3. BUSINESS ASSURANCE

Our Internal Audit team is independent from the programme team and is accountable to our Audit Committee. It oversaw the data assurance process, using our data risk assessment methodology to determine levels of risk and target assurance activity. Our Internal Audit team appointed our external assurance providers, making sure that there was an appropriate level of challenge on systems, data providers, and methods. The team reported directly back to our PR24 BSG.

Our Regulation team provides challenge to operational teams to make sure we have met regulatory guidelines, including assessing sufficient options and challenging ourselves on costs. Our programme management office (for capital delivery) has provided assurance on options, costings, and scorings by testing the outputs of the work done in PR24.

In addition to assurance, our Internal Audit team manages our corporate risk register and monitors the actions taken across the organisation to mitigate those risks. They have assessed our Business Plan against these actions and provided advice to our PR24 BSG on the extent to which these risks are addressed, and where there are residual risks.

Similarly, an independent member of the Regulation team has carried out a review of our progress against our resilience framework, working with Resilience Champions across the business and an external assessor (Arup) to identify residual and future risks. This included work to identify potential future risks for our long-term delivery strategy. Our BSG discussed these risks and how these were addressed in our Business Plan and long-term delivery strategy.

This provided part of our 'third line' of assurance – along with our independent assurance (see [5.6](#)). This supported our Board by providing an independent view on the quality of our data, analysis, and management of risks.

5.4. INDEPENDENT ASSURANCE

For some risks, we commissioned independent assurance to provide evidence to our Board.

TABLE 5: INDEPENDENT ASSURANCE ON THE BUSINESS PLAN

Area	Assurance
Quality and data	<ul style="list-style-type: none"> Assurance on the data tables supporting our Business Plan has been provided by PwC and Internal audit (NES10) ChandlersKBS (NES61) provided some assurance on tax data tables. The Water Forum (NES47) has challenged the overall quality and ambition of our Business Plan.
Past performance	<ul style="list-style-type: none"> Jacobs (NES62) provide independent assurance on the progress of our PR19 enhancements
Resilience	<ul style="list-style-type: none"> Arup (NES67) provide an independent assessment of our Asset Management Maturity (AMMA) Mott Macdonald (NES52 and NES53) provide evidence of the increasing impacts of climate change and extreme weather events.
Deliverability	<ul style="list-style-type: none"> Jacobs completed an early report (NES40) for NWL into the actions the business would need to take in order to be able to effectively deliver such a large investment programme. We invited Jacobs to return and review (NES71) our progress ahead of the Business Plan submission including assessing our progress against the Stantec (NES51) 'checklist' for company boards. We commissioned a legal review of our obligations in September 2022 ahead of the development of the first iteration of our Business Plan and invited KPMG Law (NES77) to review how our legal obligations have been addressed in the Business Plan and LTS.
Long term (delivery) strategy	<ul style="list-style-type: none"> We consulted on a draft of our long-term strategy (LTS) in 2023 ahead of finalising that strategy for the Business Plan. We asked Sustainability First to review the draft and provide feedback and latterly to provide assurance (NES74) that our LTS would meet Ofwat's requirements. Peter John Consulting supported us in the development of the modelling for our long term strategy and provided some assurance (NES_LTDS10) on that modelling.
Costs and outcomes	<ul style="list-style-type: none"> Economic Insight provide assurance (NES72) that our base cost proposals and efficiency assumptions are reasonable and stretching. Mott Macdonald provided assurance (NES68) that our enhancement costs have been robustly developed and are efficient, including through an independent cost benchmarking report (NES63, not published). The Water Forum commissioned independent expert challenge (NES48) support in relation to the Business Plan which included review of the committed performance levels and efficiency assumptions.
Risk and return	<ul style="list-style-type: none"> First Economics provide assurance (NES69) in relation to our approach to testing financeability of the Business Plan and the allowed return.
Customer engagement	<ul style="list-style-type: none"> The Water Forum Customer Engagement Panel (NES46) has challenged the overall quality and ambition of our Business Plan.

Our Water Forum provided independent challenge and comment on a number of key areas, and an assurance report on customer engagement specifically (see Section [5.7](#)).

5.5. DATA ASSURANCE

Our [assurance plan](#) sets out our approach to data assurance, and we explain this in more detail in Section [7](#).

5.6. TECHNICAL SUPPORT

We have commissioned technical support from many providers in the development of our Business Plan – where we needed technical expertise and/or additional capacity. This includes:

- Our delivery partner (Mott MacDonald and Stantec) – developing options, assessing costs and benefits, and developing stronger enhancement cases.
- TransUnion – providing data matching and analysis for assessing affordability.
- KPMG – supporting us on DPC assessments and regulatory finance.
- Jacobs (and Stantec) – assessing the deliverability of our plans in the context of wider supply chain capacity.
- Arup – long-term delivery strategy development and facilitation and AMMA assurance.
- Oxera – work with the Water Industry Commission for Scotland, Scottish Water and Sydney Water to understand asset replacement rates in the sector and asset health issues.
- Mott MacDonald – understanding future climate risks and impacts on our assets.
- Frontier Economics – working with two other water companies to understand the possible regulatory treatment of extreme weather events to set the right incentives and development of our benefits framework for assessing best value.
- ICS- who reviewed our approach to customer engagement and made some suggestions for improvement at the start of the PR24 process.
- Explain Market Research – our strategic customer engagement and research partner.
- Sia Partners- who gave us advice in relation to the triangulation of customer evidence to support the Business Plan.

We provide the evidence from this technical support throughout our Business Plan, and we provided some to Ofwat through the [Ideas Lab](#) to support their methodology development (including supporting work with the rest of the sector through Water UK, where appropriate).

5.7. WATER FORUM

The Water Forum is the independent challenge group for us and covers both our two operating areas. Its overarching role and objective is to ‘act as an informed influencer and challenger with the aim of helping improve outcomes and delivery for customers’ (Water Forum terms of reference).

Owat did not define the role of a customer challenge group in its [position paper on customer engagement policy](#). We saw this as an opportunity to broaden the role of the Water Forum to match more closely its ongoing role to challenge us, rather than focusing only on the quality of customer research.

At PR19, Ofwat and the CMA were concerned about the independence of Customer Challenge Groups. We commissioned an [independent review from ICS](#) to review how this could be strengthened to provide more independent challenge. We provided this report to the Ofwat Future Ideas Lab. In response, we discussed with our Water Forum and:

- Set clear governance arrangements to demonstrate that this group operates independently, including publishing its own information and making some amendments to the terms of reference.
- Enhanced the capacity and capabilities of the Water Forum, providing funding for an independent Customer Engagement Panel with experts in customer research and an external advisor with expertise in regulation (to support assessments of stretching performance commitments and efficiency).

The Water Forum [sets out to challenge us](#) to create a Business Plan that provides stretch in its targets, is affordable, provides the best options for customers, and fits with wider societal priorities. The Water Forum does not examine some elements of our plan (such as financing).

The Water Forum sets seven high-level assurance questions it would seek to examine and comment on:

1. Does the PR24 plan fit within Northumbrian Water's long-term plan?
2. Does the plan address affordability for all customers, particularly those struggling to pay?
3. Has the plan been informed by a robust and systematic assessment of operational resilience?
4. Are the proposed outcomes, performance commitments and ODIs stretching?
5. Is Northumbrian Water challenging itself that large investment proposals are robust and deliverable, and represent the best option for customers?
6. Is Northumbrian Water addressing its role in wider societal priorities, as set out in its Our Purpose report, including the environment and climate change?
7. Has Northumbrian Water done all it can on efficiency and innovation?

We provided the Water Forum with funding to support its challenge, and it commissioned an independent expert on economic regulation in the water sector (Martin Silcock consulting) to provide independent analysis and opinion, particularly on questions 4, 5, and 7 above. We also provided the Water Forum with information and time from experts across the business to help them provide this role.

“We commend the Company for the open and transparent way in which it has approached challenge and scrutiny thus far and express our thanks to all involved, including Peter Vicary-Smith, whose attendance at many of our meetings has been very helpful. It is neither a comfortable nor an easy process and the Company has taken time and invested resource in this area in an endeavour to create a better Business Plan”.

A member of our Board Sub-group (Peter Vicary-Smith, one of our INEDs) attended most of the Water Forum meetings as an observer, to support the Board Sub-group’s understanding of this challenge and how the company had addressed these points. Peter and other company representatives fed this back to the Board sub-group at each meeting, including providing the full report from the Water Forum’s independent advisor in April 2023 (see section 5.1). In turn, the Water Forum chair attended the Board sub-group in June 2023 to give an update on their work and illustrate it with some observations and challenges.

We provide more detail and evidence on how the Water Forum challenged our plan – and how we responded – in [A7 – Customer and Stakeholder Engagement](#) (NES08).

The **Customer Engagement Panel** (CEP) is an independent subgroup of the Water Forum, set up in 2022. The CEP challenges us to make sure that our Business Plan is grounded in excellent customer research and engagement. Its expert members assessed and commented on the extent that we genuinely understand our customers’ needs and priorities, and how these are reflected in our plan. They assessed against an assurance objective that:

“Northumbrian Water has a plan that listens to and meets the need of its customers by building on high quality and effective research and engagement throughout the PR24 process.”

They did this by considering seven criteria:

- CEP1** Engagement has a clearly defined underlying strategic purpose and objectives.
- CEP2** Well-designed, timely and unbiased research design using suitable methods.
- CEP3** Proportionate, joined up and not treated in isolation.
- CEP4** Deepens relationship with customers by being ongoing, two-way and transparent.
- CEP5** Inclusive and reflective of different customer groups’ needs and preferences.
- CEP6** Evidence of a good understanding of customers’ needs, priorities and preferences.
- CEP7** Clear links between engagement outputs and how they inform the Business Plan.

We provide more detail and evidence on how the Customer Engagement Panel challenged our research – and how we responded – in [A7 – Customer and Stakeholder Engagement](#).

6. MEETING THE BOARD ASSURANCE REQUIREMENTS

In this section, we explain how we have met the Ofwat minimum requirements and our own additional requirements for assurance. The table below sets out all these requirements, and which section below discusses how we have met this.

TABLE 6: MEETING THE BOARD ASSURANCE REQUIREMENTS

Assurance requirement	Section
Is our plan consistent with our purpose, vision, and values?	<u>6.1</u>
Were the systems, approach to risk management, and internal controls and processes in place to develop the data and information on which we based our decisions appropriate and effective? (Ofwat requirement)	<u>6.2</u>
Did we have access to a complete and transparent view of the company's historic and expected performance when making decisions and are we satisfied that all the elements add up to a submission that is high quality in the round? (Ofwat requirement)	<u>6.3</u>
For our long-term strategy (Ofwat requirements): <ul style="list-style-type: none"> • Does it reflect a long-term vision and ambition that is shared by the Board and company management? • Is it high quality, and does it represent the best possible strategy to efficiently deliver our stated long-term objectives, given future uncertainties? • Does it enable us to meet our statutory and licence obligations, now and in the future? • Is it based on adaptive planning principles? • Has it been informed by customer engagement? • Has the Board taken steps to secure long-term affordability and fairness between current and future customers? 	<u>6.4</u>
Will our Business Plan allow us to meet our statutory and licence obligations, now and in the future?	<u>6.5</u>
Does the 2025-30 Business Plan implement the first five years of the long-term delivery strategy? (Ofwat requirement)	<u>6.4</u>

How can we show that we have challenged the company management? What process did we use to arrive at the view that our long-term delivery strategy is the best that it can be? (**Ofwat requirement**) [6.4](#)

Does our Business Plan and long-term delivery strategy deliver operational, financial and corporate resilience over the next control period and long term? (**Ofwat requirement**) [6.6](#)

Have we considered the full implication of the 2025-30 Business Plan for customers? Does the plan achieve value for money? (**Ofwat requirements**) [6.7](#)

Does the long-term delivery strategy protect customers' ability to pay their water bills over the long term? Does it deliver fairness between what existing customers will pay, and what is paid for by future customers? (**Ofwat requirements**) [6.7](#)

On costs and outcomes (**Ofwat requirements**):

6.8

- Are the performance commitment levels in the plan stretching but achievable? Do these reflect performance improvements expected from both base and enhancement expenditure?
- Are the expenditure forecasts included in the plan robust and efficient?
- Have the needs for enhancement investment been influenced by non-compliance or non-delivery of programmes of work (both base and enhancement) that customers have already funded?
- Are the options proposed within the Business Plan the best option for customers, and has a proper appraisal of options taken place?
- Are PR24 plans and the expenditure proposals within them deliverable? Has the company put in place measures to make sure that they can be delivered? What steps has the Board taken to make sure that the supply chain risk is manageable and delivery plans account for (i) the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment; ii) the impact of similar levels of growth across the sector and any overall sector and supply chain capacity constraints; and iii) key supply chain risks and capacity constraints, such as the availability of specialist resource or components, for example river quality monitors, smart meters, or SuDS designers.
- Does the plan include price control deliverables covering the benefits of material enhancement expenditure (not covered by performance commitments)?
- Are the expenditure proposals affordable for customers? Do the expenditure proposals raise bills higher than necessary?
- Do the expenditure proposals reflect customer views? Where appropriate, are they supported by customers?

On risk and return (**Ofwat requirements**): 6.9

- Is the Business Plan financeable on the basis of the capital structure? What are the steps we took to provide this assurance?
- Will the actual company be financially resilient over the 2025-30 and beyond under its Business Plan? What are the steps we took to provide this assurance, the factors we took account of, and the suite of financial metrics used?

Does our customer engagement and research meet the standards for high-quality customer research? Has this been used to inform our Business Plan and long-term delivery strategy? (**Ofwat requirement**) 6.10

Is our plan really supported by customers, and is it acceptable and affordable in the long-term? 6.10

Does our plan consider the impact on stakeholders and shared objectives with them in our supply areas? 6.10

Do we understand where the risks and decision points are in delivering the plan? 6.11

Do we understand where the risks are likely to be in the regulatory process – and do we understand the impact on our long-term plan? 6.11

Has the Board been involved in testing assumptions that underpin the submission? Are we fully aware of the impact that alternative assumptions may have? Have we used the range of skills and experiences from the whole board to test the impact of these assumptions on the wider stakeholder base? (**Ofwat requirement**) 6.11

Does the overall strategy for data assurance and governance processes deliver high-quality data across all aspects of the plan and long-term delivery strategy? (**Ofwat requirement**) 7

6.1. IS OUR PLAN CONSISTENT WITH OUR PURPOSE, VISION, AND VALUES?

The Board has close regard to the UK CGC and Ofwat Board Leadership principles, as required by our licence. We explain our Board's activities and how we meet the CGC and principles in our [Annual Performance Report](#) (and so do not repeat this here), but there are some elements that relate to the Business Planning process too.

We have integrated **Our Purpose** into our strategy, values, culture, and the overall delivery of our core services. In [Ofwat's review of how companies are meeting the Board Leadership principles](#) in 2021, they noted our clear and thorough explanation of the relationship between our purpose and our strategy. In our planning for PR24, we placed this at the centre of our strategy development – using our long-term strategy to clearly link our purpose and vision to long-term goals (and so to short-term outcomes for 2025-30 in the Business Plan).

As set out in Section [3.1](#), our Board had already established the company's purpose, strategy, and values – and these reflect the needs of everyone that we serve. However, it is important to keep challenging ourselves that our plans and actions are consistent with this, to make sure that this is put into action in practice. Ofwat's first high-level objective for Board leadership, transparency and governance is:

“The regulated company board establishes the company's purpose, strategy and values, and is satisfied that these and its culture reflect the needs of all those it serves.”

We meet this objective and explain how we do this in our annual reporting.

As part of our PR24 assurance, we set a high-level assurance question to challenge ourselves – ‘**is our plan consistent with our purpose, vision, and values?**’ To test this, we looked at:

- Our **approach to PR24** – from the outset of the Business Planning process in 2021, our Board set out its objectives for a plan that delivers what our customers tell us they want, with low bills and excellent service, and that is supported by stakeholders.
- How **our ambition matches our vision** – we challenged ourselves to meet our vision to be the national leader in the provision of sustainable water and wastewater services. This meant considering how we could challenge ourselves to build on those areas where we have already become the national leader, and to improve through investment in areas where we do not perform so well.
- The additional **environmental and social** value we will create with our Business Plan, making sure we are caring for our communities and the environment now and in the long-term.

6.1.1. Challenging ourselves to meet our national leader vision

To make sure we are delivering on our vision, we use our 'national leader assessment' to monitor our progress towards achieving this.

We monitor and discuss these performance metrics at our Board, as well as publishing our monthly performance score card on our intranet and discussing performance – and actions required – with all our employees through our Team Talks and other communications channels. This helps to drive our people to focus on this vision, across the whole business.

We define our national leader vision using three criteria across 21 measures:

- top two position for customer experience (C-MeX);
- all measures achieving average or better; and
- most measures in the upper quartile.

This has been successful at driving up our performance over time. In 2022/23, we were the best in the sector for C-MeX; we were in the upper quartile for 7 out of 20 remaining measures and were above average for 14 out of 20 measures.

We have already achieved our ambition to be in the [top two companies on the C-MeX measure](#), and we were the top company in 2022/23. We have set a further ambitious target to reach a net promoter score (NPS) of +70 – consistent with businesses that routinely achieve a world class customer experience. We expect to continue to lead the sector on our customer experience.

In [A4 – Outcomes](#) (NES05) we describe how our proposals will help us to achieve our National leader vision, why this is an objectively stretching target because other companies have historically not met this target and why we use this target rather than Ofwat's.

6.1.2. Challenging ourselves on additional environmental and social value

We have also assessed the **additional environmental and social value** we will create with our Business Plan, making sure that we are caring for our communities and the environment now and in the long-term.

In the first instance we sought to develop an approach that would maximise the opportunity for environmental and social value, we did this, for example, through:

- Adopting an approach to solutions/options development that would encourage partnership, collaboration and nature-based solutions first, only turning to more traditional hard engineering solutions last (this approach is explained in our enhancement cases); and
- Implementing our new Copperleaf system in 2021/22 where we worked with Frontier economics in defining the 'value models' that are contained within that system to make sure that valuations based on stated and revealed preference research were based on robust estimates from high-quality research evidence.

Table 7 sets out some of the highlights of the plan, and how these support additional environmental and social value.

TABLE 7: ADDITIONAL ENVIRONMENTAL AND SOCIAL VALUE

Area	Additional environmental and social value
Affordability and social tariffs	<p>Our Appendix A1 – Affordability (NES02) shows how we have provided additional support to our customers, including partnerships with others to highlight and tackle poverty. This includes a four-fold increase in the level of support we are providing our customers (from c.£40m of support in AMP7 to c.£170m of support in AMP8). This also includes £20m of support from shareholders to fund a hardship scheme for customers.</p>
Partnerships	<p>We have sought to both expand our current, effective partnerships as well as introducing new ones.</p> <ul style="list-style-type: none"> Northumbria Integrated Drainage Partnership - This partnership provides additional value by tackling flooding across multiple causes and creates the networks for future partnership working (see our 25 YEP enhancement case, NES29). Each scheme provides community and local benefits as well as just tackling flooding. North East Catchment Hub (NECH) – This is a new partnership with the Rivers Trust brings together local, regional and national expertise in a regional Hub to develop improvements for water quality and the wider environment around the North East. It brings the Catchment Based Approach for water management to a regional level within the North East, facilitating cross-catchment working and knowledge sharing with the support of the Catchment Partnerships. The partnership has supported the development of the Advanced WINEP proposals (see below) and other elements of the Business Plan.
Advanced WINEP	<p>Our Advanced WINEP programme provides significantly greater environmental and social value than using end-of-pipe solutions alone (see our WINEP – protected areas and bathing waters enhancement case, NES28, for our catchment and nature-based solutions for nitrogen; and our WINEP – phosphorus enhancement case, NES13, for our catchment and nature based solutions for phosphorus).</p>
Water Efficiency Strategy	<p>Our water efficiency strategy focuses on affordability, with more support available for low income households. We have also introduced support for non-household efficiency, helping to reduce costs for businesses (as well as supporting reducing water demand and environmental benefits).</p>

Bluespaces Our Bluespaces programme (see our [25 YEP enhancement case](#), NES29) provides wider social and environmental benefits in line with the objectives in the Government's Environmental Improvement Plan.

Open data Our [Open data strategy](#) (NES76) enables partners and others in our area to understand the data we hold – and use this to create wider environmental and social benefits. We were the first water company to publish an open data strategy, and we are leading the sector to drive an open data platform to support sharing across the sector too.

This section focuses on purpose (objective 2.1 of Ofwat's Board Leadership principles), rather than examining each of the objectives, because this is particularly relevant to how we have developed our Business Plan and tested that this is consistent with its purpose and obligations. We explain how we meet the other objectives in our [annual reporting](#).

6.2. SYSTEMS, RISK MANAGEMENT, AND INTERNAL CONTROLS AND PROCESSES

Sections 4 and 5 explain our assurance approach, and the additional controls we applied for PR24. These, in addition to our data assurance requirements outlined in Section [7](#), provide us with confidence that the data and information we used to make our decisions was appropriate and effective.

Our Board set this assurance strategy and controls, both for the organisation as a whole and for PR24 specifically. For PR24, they monitored the application of these systems and controls by requiring papers to include details of the assurance carried out to meet the requirements. For example, for WRMP this included a table of the requirements and the assurance activities carried out to make sure that each requirement was met.

6.3. A SUBMISSION THAT IS HIGH QUALITY IN THE ROUND

Our Board had access to a complete and transparent view of the company's historical and expected performance when making decisions. We discuss current performance with our Board monthly, including detailed information about progress towards our outcome performance commitments – and wider commitments to customers – as well as our efficiency.

For PR24, this included charts showing historical outcome performance, and the projected future performance under different investment scenarios. This also included modelled scenarios for base cost efficiency, productivity, and financeability. Our Board discussed the plan as a whole in three key stages: our draft plan in December 2022; our 'final' plan in March 2023, and then detailed drafts and refinements during May to August 2023 (see Table 3).

We defined 'high quality' as meeting our high-level assurance questions.

6.3.1. Draft plan

In December 2022, our Board discussed our initial package of costs and outcomes – our ‘draft plan’. Our PR24 teams developed this plan through a bottom-up analysis of investment needs across our network, including both base and enhancement expenditure. Where appropriate, we commissioned expert advice and analysis, such as our [work on the likely impacts of climate change](#) (NES52) on our operating areas. During 2021 and 2022, our operational teams had assessed the investment needs through early engagement on the WINEP, zonal studies, our programme of asset condition inspections, and through the WRMP and DWMP processes. Many of our needs were informed either from investigations between 2020 and 2022, or from tactical planning teams and operators logging the need for work (from base expenditure).

We carried out analysis of historical industry performance data to forecast forward where future levels of performance improvement could be and considered this information against our ‘national leader’ criteria. Alongside this, our teams brought together our analysis of customer research over the last five years and carried out some initial research into priorities and options for the long-term (phases 1 and 2 of our customer research strategy, see [A7 – Customer and Stakeholder Engagement](#) (NES08)). This helped us to set initial long-term goals.

For the draft plan, our PR24 teams used this evidence to identify options, estimate costs and benefits, and begin to optimise this. We carried out further research to refine and value customer priorities (phase 3). We also consulted on our draft DWMP, and incorporated feedback from regulators on our WRMP, DWMP, and WINEP proposals.

In the meetings leading up to December 2022, both our Board and Water Forum discussed the emerging findings and difficult choices, including challenging our PR24 teams to look again at their plans and seek innovative alternatives. This included: the development of an ‘advanced WINEP’ rather than meeting the requirements for ‘technically achievable limits’ for nitrogen at our treatment works (saving customers around £300m from the draft plan); exploring the scope to use a reservoir alternative to a reuse plant in Suffolk (with a very large saving in carbon and a significant net biodiversity gain); and seeking technology partners to use data to optimise our wastewater network rather than building new grey infrastructure to tackle storm overflows.

Our Board discussed the proposals, including: a detailed examination of historical outcome performance and projected performance under different investments; a detailed bottom-up base plan, including the pressures on capital maintenance and what base expenditure could deliver; and a detailed examination of the costs and benefits of proposed enhancement schemes. This was informed by customer research and the Water Forum’s challenges (they had already discussed the same material). Our Board set three packages of investment to take forward to the next stage and concluded that asset health investments would need to be considered ‘must do’ given the risk of being unable to meet our obligations.

6.3.2. 'Final' plan

From January 2023, we launched our pre-acceptability customer research – based on the three packages of investment agreed in the draft plan. This research would help to inform the development of our 'final' plan in March 2023, and the first results showed a carefully balanced view: most customers supported our highest package of investment and service levels, but in many cases, this was because customers thought that the statutory requirements already meant a bill which was not affordable, and they recognised the value (and relatively low further bill increase) that would come from the higher investment packages.

We set out to challenge ourselves further. We looked at more alternative and innovative options for delivering similar benefits, carrying out our modelling for storm overflows again using new ideas about optimising the network. We pushed back some investments where these could be delayed, such as tackling algae, replacing these with investigations and improved intelligence and analysis to support careful monitoring – with investment or action in-period if needed.

We discussed our draft plan in detail with the Water Forum, supporting them to understand and challenge where we could improve through a series of deep dives, and seeking technical challenge from their advisor about the level of stretch and efficiency. We engaged with the independent expert appointed by the Water Forum to review the proposals in our draft plan through a series of workshops focussed around how we intended to deliver them. We also worked with our stakeholders to develop partnership approaches and seek their views on what we might do differently (see [A3 – Costs](#), NES04). We added an extra round of customer research to examine customer views on individual investments more closely, as well as considering the phasing of statutory investment programmes.

Finally, we improved our estimates of costs and benefits for all the options we were taking forward to the 'final' plan. This included early feasibility studies and site visits to test our assumptions about what could be built – for example, understanding how robust our modelling might be on the improvements needed to protect against flooding, by testing this at the most critical sites. We optimised our plan using customer valuations of benefits, from our phase 3 customer research (the collaborative research had not yet produced results).

This meant that in its March 2023 meeting, our Board could consider the evidence that had been drawn from each of these sources in making its decisions. Our Board understood the methods we had used and was satisfied that our approach to both customer research and developing and optimising our plan had been sufficiently robust – and led to a high-quality plan.

6.3.3. Detailed drafts and refinements

After our 'final' plan in March 2023, we still had some changes to make.

We had not yet concluded our work on the final DWMP (published in May 2023) or WRMP (published in September 2023). Although we had made our indicative decisions on the investments across the whole plan, there was still further

work to do to test and make corrections. We tested our costs and outcomes to make sure that these plans were robust and deliverable.

We also launched our qualitative acceptability testing and ‘Your water, your say’ sessions. This would allow us to present our ‘final’ plan to our customers and stakeholders, while providing sufficient time to make changes to reflect any final customer and stakeholder views. Our Appendix [A7 – Customer and Stakeholder Engagement](#) (NES08) shows the changes we made to our plan in response to these sessions.

Our Board and Water Forum both considered the draft of the plan in three stages – bronze, silver, and gold. This provided sufficient time to make further challenges on the evidence presented as well as complete the considerable task of preparing the full plan submission.

Finally, we published our long-term delivery strategy in draft for consultation in May 2023. We had developed this in parallel with our Business Plan and discussed our approach with Ofwat in January 2023. This consultation ran until July 2023, allowing us to reflect any changes in the final [long-term delivery strategy](#) (NES_LTDS). We held a series of structured engagement sessions with both customers and stakeholders on the draft strategy and used the feedback from these sessions as well as independent review and assurance to finalise the strategy.

6.3.4. High quality in the round

We carefully tested and challenged our plan to make sure that it was high quality – but also, we provided sufficient evidence and transparency that our Board, customers and stakeholders could clearly understand and challenge us to make sure that it was high quality. This appendix shows how our Board has set and applied our assurance strategy, including answering our high-level assurance questions.

A high-quality plan does not mean just having assurance checks on the systems and processes for developing the Business Plan. It also means making sure that we have engaged customers and stakeholders throughout the process and invited challenge from others. We have taken this very seriously, and our plan shows how we developed this with our customers. We are pleased that our Water Forum felt able to challenge us strongly, and on a wider range of topics than ever before.

Finally, we have provided much more detail than in previous price reviews about the assurance we have carried out, and how we have approached this as well as strengthening the volume and type of independent assurance. This is because we recognise how important it is for customers and stakeholders to understand this, so that they can have confidence that our plan is high quality. In particular, we have explained much more about our thinking, engagement, and development process.

Our criteria for testing whether or not the plan is high quality in the round are set out in our high-level assurance questions (as set out in [5.2](#)) and as described in our Board assurance requirements to answer these questions (as set out in section 6). This includes testing that our plan is stretching but deliverable and supported by customers and stakeholders.

6.4. LONG-TERM STRATEGY

Our [long-term strategy](#) (NES_LTDS) sets out our long-term vision and ambition. In that strategy, we show how:

- This reflects a long-term vision and ambition that is shared by the Board and company management.
- It is high quality and represents the best possible strategy to efficiently deliver our stated long-term objectives, given future uncertainties.
- It is based on adaptive planning principles.
- It has been informed by customer engagement.
- We have considered long-term affordability and fairness between current and future customers.

This is important for demonstrating that our long-term delivery strategy is high quality, and we show our evidence and how we engaged with customers and stakeholders – including consulting on our draft in March 2023, and how we have developed parts of this through the WRMP and DWMP processes over a longer time frame. We also engaged with Martin Hurst of Sustainability First both on the draft for consultation and in reviewing the final [long-term strategy - Independent assurance](#) (NES74). We made several amendments to the final LTS based on his feedback.

Ofwat requires us to demonstrate how our Board has challenged the company management, and to explain the process we have used to show that our long-term delivery strategy is the best that it can be. Ofwat also requires us to show that the 2025-30 Business Plan implements the first five years of the long-term delivery strategy. We cover both of these in Section [6.4.1](#) below.

Ofwat also requires our Board to confirm that our long-term delivery strategy enables us to meet our statutory and licence obligations, now and in the future. We have considered this, along with considering if our Business Plan enables us to meet our statutory and licence obligations in the next five years. As our Business Plan implements the first five years of our long-term delivery strategy, these should be considered together. We cover this in section [6.5](#) below.

6.4.1. How has our Board challenged on the long-term delivery strategy?

Our board has provided substantial challenge and review to inform the development of the final LTS. This has come about both through the review and engagement that we have had with them as the LTS has developed itself and also through the development of the WRMP and DWMP. We first discussed the LTS with the board in October 2021 (see Table 3) and held a series of workshops during October-December 2021. During these workshops we made changes to our approach, the long-term service areas we considered that the LTS should cover, the target levels we considered that we should meet and the key investments we should consider. We also spent considerable time discussing the emerging risks and the appropriate scenarios against which to test our strategy (Ofwat was still producing guidance and providing workshops on the LTS at this point).

While we had developed a framework for the LTS, we still needed to understand the outputs from the WRMP and DWMP processes in order to develop a strong adaptive plan. The board reviewed drafts of the DWMP and WRMPs in June and July of 2022 and provided challenge in each instance. For example, the Board wanted to explore fully the opportunity for a new storage reservoir in Essex and Suffolk that could avoid the need for more expensive and carbon intensive re-use schemes, which could also increase biodiversity. The board’s initial discussions on the DWMP focussed on the long-term targets we were seeking to achieve in areas like internal and external flooding. However, it became clear that the UK Government’s Storm Overflow Discharge Reduction plan (SODRP) would have a material impact on the DWMP process. While we published a draft DWMP in June 2022, we needed to wait for the final SODRP information and the final DWMP to develop our LTS. In finalising the DWMP the board discussions focussed on the phasing of the DWMP investment, given the impact on bills and the solutions proposed, including the two major regions of investment at Berwick and Marske. We published our LTS for consultation in June 2023, soon after the final DWMP reflecting all the feedback that we received from the board.

Our Business Plan implements the first five years of the LTS. We can demonstrate this across the strategic areas of focus in our LTS.

Ensuring sustainable water supplies

Our Business Plan includes the investments that we identified in our core pathway for WRMP, including making progress towards our long-term targets for leakage, metering, and PCC. As we identified a possible alternative pathway with work required on the North Suffolk winter storage reservoir, we have agreed some preparatory work in 2023/24, 2024/25, and 2025/26 under the Defra accelerated delivery process.

TABLE 8: WATER SUPPLIES IN OUR BUSINESS PLAN

Long-term strategy	Business Plan for 2025-30
Core pathway for new water supplies in Essex and Suffolk	Includes new pipelines to be delivered by 2030, and the relevant share of new supplies to be delivered by 2032. Includes investigations for investments in future periods for water supplies.
Alternative pathway for North Suffolk winter storage reservoir	Decision point in 2027 – on reuse scheme or winter storage reservoir. We have included an uncertainty mechanism to reflect this decision point in our Business Plan.

Long-term PCC targets – critical to avoid future water supplies	Performance commitment reflects trajectory towards long-term target. Universal smart metering in Essex and Suffolk to make sufficient progress towards 2035 target, and accelerated optant metering in the North East. Increased activity on household PCC reduction. Greatly increased activity on non-household demand reduction, including greater responsibility for smart metering and direct provision of water efficiency advice and investments – reflecting the supply challenges up to 2032.
Long-term leakage targets	Performance commitment reflects trajectory towards long-term target. Enhancement case for demand includes a step-change in investment to meet leakage targets, particularly in Essex and Suffolk where leakage is already one of the lowest in the sector.
Risks of competing future demand – from new non-households or bulk supplies to other water companies	As part of our WRMP, we have assessed the scope for bulk supplies to other water companies and/or an increase in demand from non-households (for example, on Teesside). Although we do not forecast shortages in demand under these scenarios, we have set long-term targets for leakage and PCC reductions to manage these risks.

Protecting and enhancing the local environment

Our Business Plan includes the first five years of our DWMP, including making progress towards our long-term targets for storm overflows (including meeting the Government's SODRP targets for 2035); river water quality including phosphorus reduction; and performance commitments such as sewer flooding. Our performance commitments for 2030 are in line with those needed to meet our long-term ambitions by 2050.

Our LTS assumes that WINEP will remain higher in future investment periods and considers the scope for additional investment being required to address future environmental challenges. Our transformation programme for PR24 reflects a more permanent step-change in our activities.

TABLE 9: THE ENVIRONMENT IN OUR BUSINESS PLAN

Long-term strategy	Business Plan for 2025-30
Storm overflows long-term plan (DWMP)	Our Business Plan implements the first five years. We have thought carefully about how quickly to move towards the 2035 and 2050 targets by 2030, including engaging with customers and considering how we might move to lower whole-life carbon solutions (see our storm overflows enhancement case , NES27, and line-of-sight document , NES45).
River water quality long-term improvements	Our plans for phosphorus and nitrogen reduction through our advanced WINEP programme provide the scope for additional benefits towards our long-term ambition through catchment management and nature-based solutions. Our partnership approach to developing these (through the North East Catchments Hub) will support future working with partners across catchments to deliver our long-term ambition for good ecological status for our rivers.
Restoring sustainable abstraction	Our Business Plan for 2025-30 includes investment in resources and infrastructure to make progress towards restoring sustainable abstraction and to investigate and identify the optimal water resources we will need in future.

Resilience

Our Business Plan includes the first five years of our long-term delivery strategy on resilience. Our Appendix [A8 – Resilience](#) (NES09) discusses the issues of climate change resilience and asset health over the long-term, and how we have made our decisions about phasing investment on resilience (also see our [line-of-sight document](#), NES45). We have looked at the likelihood of physical and cyber security increasing in future and will keep pace with increasing requirements during 2025-30. We are investing in asset health intelligence during 2025-30, including smart networks and open data, from base expenditure.

TABLE 10: RESILIENCE IN OUR BUSINESS PLAN

Long-term strategy	Business Plan for 2025-30
Climate change adaptation – adaptation to increasing temperatures required in all scenarios	Our Business Plan includes investments to tackle flooding and power resilience, as well as the current risks to treatment processes from high summer temperatures. We have delayed other investment to future periods, when the impacts of increasing temperatures will become more apparent.
Increased investment in asset health	Our Business Plan includes investments where there is a more immediate risk to service (at treatment works and service reservoirs), with a ‘balanced’ approach to asset health (in line with our customer engagement).
Resilience to restrictions to spreading bioresources on the land bank	Our Business Plan includes investment in a new biosolids storage facility to provide resilience to seasonal restrictions to biosolids spreading. This is the core pathway element of our adaptive plan for long-term bioresources resilience.
Changing cyber security requirements	Our Business Plan includes investment to increase security including cyber security.

Net zero

Our Business Plan for 2025-30 will deliver progress towards net zero through base expenditure and via the outcome delivery incentives to reduce greenhouse gas emissions. Our customers did not support enhancement expenditure in this period to deliver net zero. However, customers and future customers in particular recognise the importance of delivering net zero (see [NES LTDS8](#)). In addition to further reducing operational emissions, our plan will focus on increasing our understanding and measurement of our emissions including through working in partnership with our supply chain.

Lead replacement

Our Business Plan will increase investment in replacement of customer lead pipes. As explored in our LTS, this investment is a step towards delivering Water UK’s 2050 lead free vision, but investment in this area will need to increase substantially in future periods to achieve this ambition.

6.5. MEETING OUR OBLIGATIONS

We have tested that our long-term delivery strategy and Business Plan will allow us to meet our statutory and licence obligations. We test this annually and provide an assurance statement with our annual performance report and have recently strengthened our approach to assessing compliance with our obligations as part of our annual Risk and Compliance statement as part of our findings from Ofwat's Flow to Full Treatment (FFT) investigation. In this section, we describe how we have tested that our PR24 Business Plan and long-term delivery strategy will allow us to meet these obligations.

We explain how we have tested our Business Plan and long-term strategy against our legal obligations in Section [6.5.1](#). Board has considered this at each stage (draft plan, 'final' plan, and then for the Board assurance statement). Ofwat must consider how its determination allows it to meet its own duties – and so we have described in Section [6.5.2](#) why we think our plan allows Ofwat to meet its duties. We are also required to consider how we can facilitate the Secretary of States' strategic priorities for Ofwat, which we explain in Section [6.5.3](#).

We initially sought an independent legal review of our obligations in September 2022 this was designed as a refresh review to provide an independent perspective partly given several new board members to the sector as the existing obligations are well understood and reviewed every year as part of the risk and compliance statement. We outlined in that review the legal obligations and potential legal, financial, and reputational consequences of not meeting these obligations. We shared that review with Defra, Ofwat and the Environment as we sought to engage with them to influence the shape of the emerging obligations, which we knew would drive a difficult balance between environmental improvement and customer bills given the cost-of-living crisis. We highlighted the 'hard choices' that would need to be made to inform our Business Plan submission and some of the implications from new and emerging legal obligations.

The ongoing development and change to legal and regulatory requirements during the preparation of the Business Plan has been challenging and we have regularly received challenge to both go further and do more for the environment in our plans whilst also keeping bill increases as low as possible. We have tried to provide the best information we have to meet those requirements and have provided some separate data tables to Ofwat to help address some of the uncertainty as far as possible.

6.5.1. Testing against our legal obligations

We invited KPMG to review the independent work that was carried out in September 2022 and consider the extent to which our Business Plan was likely to be meeting our legal obligations and that [legal advice](#) (NES77) to support this test is attached to our plan. That review concluded that:

'the Plan and LTDS contain proposals which are clearly targeted at delivering against the core legal obligations outlined below during AMP8'.

It did highlight that in relation to Nutrient Neutrality:

‘With respect to nutrient neutrality specifically, we understand that NWL’s Plan will contain its preferred nature-based solution, despite this having been formally rejected by EA during its WINEP process (which is a legally binding process). However, as noted above the legislation that will give legal effect to the underlying targets is yet to be finalised. Indeed amendment 247YV to s.158 LURB was agreed by the House of Lords on 14.9.23 which gives the Secretary of State the power to modify or revoke the clause 158 duty on water companies to upgrade certain sewage plants. This introduces statutory flexibility that could enable NWL’s preferred solution to be accepted by the EA. However, to account for the possibility that it will not, we understand that NWL will be providing the relevant cost data for the alternative solution as well as suggesting a notified item which could be triggered if the LURB, once adopted, confirms the EA’s current position. In that context, where NWL is actively engaging with relevant stakeholders to drive the necessary change in the legal obligations/requirements for compliance, the decision to include the alternative proposal in the Plan with the relevant caveats appears reasonable at this stage in the price control process’.

We agreed with the position taken in this legal advice and on that basis the plan submitted represents the best current view and we have provided additional information to Ofwat through supplemental data tables to help address that uncertainty.

We summarise in the table below why our Business Plan and long-term delivery strategy will allow us to meet our statutory and licence obligations, and where we think that elements of our Business Plan and long-term delivery strategy are critical to achieving this.

This table, in itself, does not aim to review all our legal obligations comprehensively. Instead, this summarises how our Business Plan and long-term delivery strategy will meet some of the main issues.

TABLE 11: TESTING AGAINST OUR MOST MATERIAL LEGAL OBLIGATIONS

Obligation	Our assessment
S37 WIA91 – general duty to maintain water supply system	Our Business Plan includes efficient costs for maintaining, improving and extending our water supply system, with water supplies available to meet demand. Our WRMP (under S37A) was published, and our Business Plan and long-term delivery strategy are fully consistent with this. Our performance commitments and long-term targets are consistent with a well-maintained water supply system.

S52 WIA91 – domestic supply duty /	Our Business Plan allows us to continue to provide supplies that are sufficient for domestic and non-domestic purposes, including making and maintaining appropriate connections. In Suffolk, we have placed limitations on the provision of new non-domestic supplies as this would put at risk our ability to meet our obligations to supply water for domestic purposes or meet sustainable abstraction licences – and we have included strong action on non-domestic smart metering and water efficiency to support lifting these limitations as soon as possible. (Also considered: S57, S65.)
S55 WIA91 – non-domestic purposes	
S67 WIA91 – water quality	Our Business Plan allows us to invest in improving water quality. We have looked at our current position on CRI (which is not in breach of this duty) and have set out our ambition and investments to improve on this both in 2020-25 and in 2025-30 – see section 6.1.1. Our Business Plan examines the risks of deteriorating raw water quality and includes investment to address these issues. We have discussed all our PR24 and long-term plans with DWI and include their support for these schemes where applicable. (Also considered: S70, S71, S72.)
S93A – duty to promote efficient use of water	Our Business Plan includes extensive universal smart metering and water efficiency activities, including for non-domestic customers. We have contributed to the WaterWise strategy for water efficiency and will continue to promote collective and joined-up activity in this area.
S94 – general duty to provide sewerage system	Our Business Plan includes efficient costs for providing and improving public sewers and sewage treatment works. We have assessed the impact of population growth and future climate change on these systems as part of our DWMP and include investment for this in our Business Plan.
S141 – storm overflows	Our Business Plan and long-term delivery strategy include investment to match the Government’s Storm Overflows Discharge Reduction Plan, allowing us to secure a progressive reduction in the adverse impacts of storm overflows on public health and the environment.
S141 – monitoring quality of water	Our Business Plan and long-term delivery strategy include investment to continuously monitor the quality of water around storm overflows and sewage treatment works.

There are some areas of the Business Plan which are critical to our ability to maintain our ability to meet our statutory and licence obligations and some of these areas relate to key areas of risk that we have highlighted in the latest Risk and Compliance statement².

We have included investments for **climate change adaptation** in our Business Plan for 2025-30. As we identify in our Appendix [A3 – Costs](#) (NES04), these investments in raw water deterioration (including nitrates and geosmin) are necessary to prevent deterioration. Without these investments in 2025-30, we would likely be unable to meet our obligations under S37 and S67 in the long-term. Similarly, we have improved our understanding of the impact of climate change on flooding and power resilience, and we have included low-regret, short-term actions in our 2025-30 Business Plan. These investments are an important part of our response to the Government's expectations on climate change adaptation set out in [WISER](#). We expect this to be consistent with the Government's direction of travel in the third National Adaptation Programme (NAP3) due to be published this year.

The Government's [Environmental Improvement Plan](#) includes much wider plans for climate change adaptation across the whole environment system. Our Business Plan contributes to this through enhancements to biodiversity, improvements to water environments, and flooding partnerships. Our PR24 investments reflect our [climate change adaptation strategy](#) and work to understand the impacts of climate change – but we know that this is still within a narrow focus on our own assets, and we will need to think more broadly in future. We are keen to work with national and local stakeholders to develop this further, with a joined-up plan across the whole system.

We have included investments to improve **asset health** in our Business Plan for 2025-30 and have explained in our long-term delivery strategy why we expect this need to increase in future. **Without an increased allowance for capital maintenance, we do not consider we can continue to meet our obligations in the long-term.** We highlighted this risk to Ofwat in [our submission to the Future Ideas Lab](#) before PR24, showing that this is an issue for now and for the future, and across the whole sector. For PR24, we have limited this increase to areas where we can clearly show a specific need for investment with immediate threats to service levels and have set a price control deliverable to make sure that customers get the full benefit of this investment.

Further increases in capital maintenance are almost certainly needed in future. We do not have a common, mature framework for assessing asset health across the sector; we have not explored alternative regulatory approaches to setting capital maintenance funding; and asset intelligence is not sufficiently developed across the sector. We consider that there is a significant opportunity from collaboration and innovation to address this issue before PR29, and we welcome the opportunity to work with Ofwat and the sector on this – as well as continuing to expand our own programme of asset intelligence. In addition to this, we will invest in developing our smart network (from base expenditure), supporting a

² NWL 2022/23 APR.

better understanding of where asset health investments are most effective. Our long-term strategy sets out our plans in more detail.

Our Business Plan meets the Government's [Storm Overflows Discharge Reduction Plan](#), and so will meet our obligations on storm overflows. This requires new schemes for storage, surface water separation, and nature-based solutions – and these investments are enhancement expenditure. In addition to this, we have identified some opportunities for optimisation to use existing storage capacity, which requires additional investments in technology and control mechanisms. We can only meet our obligations if these new schemes are funded through enhancement expenditure.

Our Business Plan meets other legal obligations such as security at water treatment works and safety at reservoirs.

For water supply options in Suffolk, there is uncertainty about which adaptive pathway will be required during 2025-30 – and so we include a notified item in our Business Plans to reflect the need to switch to an alternative pathway at a decision point mid-period. We use a similar notified item for our advanced WINEP schemes, to reflect the risk that we may need to switch to an alternative pathway (N-TAL) if legal requirements change from our current expectations. These notified items are critical to our adaptive approach, and to our ability to meet our obligations in the event of putting adaptive pathways into practice – and will need to be able to operate quickly and flexibly. We describe our uncertainty mechanisms in [A3 – Costs](#) (NES04).

Our Business Plan uses the Ofwat early view on WACC, as updated for the latest market information. Our assurance statement on financeability is caveated, in that our Business Plan means that we would be financeable on the basis of the notional capital structure if the early view on WACC were to allow an efficient company to finance their functions in practice. We do not agree that this is the case, and in appendix [A5 – Risk and Return](#) (NES06) we present further evidence that this would likely mean that we would be unable to attract the investment needed for our 2025-30 Business Plan.

We support Ofwat's objectives in setting the cost of capital, and we do not think that customers should pay any more than is necessary to attract the investment needed to deliver our Business Plan. However, the allowed 'early view' cost of equity is below returns in debt markets making it difficult to confirm that it is financeable to equity. There is time for Ofwat to address this more thoroughly, and to collect more comprehensive evidence, before draft determinations – and we provide our evidence and offer our support in helping them to do this. Our Business Plan depends on equity injections to fund the investment that is needed, and so this is a very real issue for us.

6.5.2. How can Ofwat meet its duties when considering our Business Plan?

We have considered how Ofwat can meet its duties when assessing our Business Plan. Supporting this process helps us to manage regulatory risk, by allowing us to understand the assessment Ofwat might carry out. This section helps to provide evidence to support Ofwat's view of its duties.

Furthering the consumer objective, including facilitating the activities of licensees

We explain in [A7 – Customer and Stakeholder Engagement](#) (NES08) how we have engaged with customers and stakeholders in developing our long-term strategy and Business Plan. This helps to make sure that their voice is represented in our planning process, and that the Business Plan is the best it can be.

We have set out our plans to improve our engagement with markets, including our ambition for an industry leading developer service and wholesale service – reflected in industry leading D-MeX and BR-MeX scores - by 2030. Our Business Plan includes smart non-household metering and water efficiency, which will be delivered in line with the recommendations of the MOSL strategic metering review – and supporting competition in the non-household retail market. In our response to Ofwat’s methodology, we proposed regulatory solutions to challenging problems and have contributed fully to discussions with regulators on how we could help to support meeting this duty.

We also describe our work to support the bioresources markets in [A3 – Costs](#) (NES04).

Carrying out our functions, including securing long-term resilience

We have shown how we will meet our legal obligations in Section [6.5](#), and how we have challenged the Business Plan thoroughly to make sure that we have thought about how we will carry out our functions during 2025-30 and beyond. This includes carefully reviewing our risks and considering where investment is needed to maintain resilience as well as improving service levels. In our enhancement cases, we have clearly set out where activities will be delivered under base, and where enhancement expenditure is required.

Our plans for investment will secure the long-term resilience of our water and wastewater systems. We set out in our long-term strategy the investment pathways we might expect under different scenarios and have discussed with customers the right balance of investment now, and in the future – balancing risks to service against affordability. We have carried out extensive analysis of our key risks to resilience, particularly on asset health and climate change adaptation (see Appendix [A8 – Resilience](#) (NES09) in our Business Plan, and the associated enhancement cases).

We have a strong track record as a resilient company: we have been able to maintain secure water supplies and did not need to introduce a temporary use ban in the 2021 drought; we managed to continue to operate through the Covid-19 pandemic and global financial crisis; and we have been able to operate through an increasing number of extreme weather events since 2020. We describe our approach to managing resilience in Section [6.7](#) and in more detail in Appendix [A8 – Resilience](#) (NES09).

Customers who need additional support

We published our updated inclusivity strategy in October 2023. This sets out our strong track record and our plans to continue building on the support we offer customers who cannot pay or have additional needs. We were the first company to set an ambitious goal to eliminate water poverty in our operating area by 2030, and we have made strong progress towards this goal, reducing the proportion of customers in water poverty from 18% in 2018 to less than 10% this year.

We strongly agree with CCWater's PR24 objective to make sure that bills are affordable for everyone, and we explain how we have implemented the recommendations of their independent review of water affordability in [A1 – Customer Affordability](#) (NES02), explaining our detailed analysis of water poverty in our areas and our plans to tackle this. As part of this, we have actively engaged with Defra to support them in developing and evaluating the national social tariff – and encourage the Government to implement this.

We were the first water company to partner with StepChange, a leading debt charity – and partnership working is critical to our success here. We are also leading the sector on partnerships to share customer data to provide extra support, working with other utilities in the North East to share priority service registers. We are seeking to share this approach with other companies, developing this into a national platform to provide wider benefits across the UK.

6.5.3. How are we facilitating the Secretary of State's strategic priorities for Ofwat?

Ofwat must demonstrate how it is meeting the [Secretary of State's strategic priorities](#). We have considered how our Business Plan can contribute to this, and how it shows the ambition set out in those strategic priorities.

Protecting and enhancing the environment

We received a leading four-star rating in the Environmental Performance Assessment in 2021, with leading performance on reducing pollution incidents and WINEP scheme delivery – and we were disappointed to narrowly miss this rating in the 2022 assessment. We are also among the leading companies for self-reporting pollution incidents, with 91% in 2022 compared to the 90% target set in WISER for 2030. Our Business Plan sets out our plan to reduce pollution incidents further, including maintaining serious pollution incidents at zero (we had zero incidents in 2022).

Our plan significantly reduces the frequency and volume of sewage discharges from storm overflows and meets the Storm Overflows Discharge Reduction Plan.

We are already delivering against environmental legislation, and our Business Plan sets out how we will meet all the applicable targets set under the Environment Act 2021 and WISER – including through our WINEP programme. We have set out where we can deliver wider environmental (and social) benefits in each of our enhancement cases, and the level of benefits we expect. Our options appraisal process looks at partnership and catchment working before other options and includes wider benefits in assessing the best value plan. And we have included more catchment partnerships and nature-based solutions than ever before in our 2025-30 Business Plan.

Our advanced WINEP shows how nature-based solutions and catchment management can be used effectively to tackle issues in River Basin Management Plans, including reducing phosphorus and nitrogen – but also working with farmers to reduce these impacts from others upstream. We have put in place plans in 2025-30 to reduce abstraction, to carry out investigations to validate models that estimate future needs for abstraction reductions, and to support partnerships to work across our catchments to reduce abstraction needs and retain water in the catchment.

In our long-term delivery strategy, we set out our long-term aim to make sure that 75% of rivers in the North East can meet good ecological status. Our reductions in storm overflows and nutrient pollution will help with this, but this will require innovation in catchment management and partnership working to achieve – because this goes much further than removing the impacts from our operations.

We have challenged ourselves strongly against this strategic priority, as this is critical to our Business Plan and our Purpose (and is set out in more detail in [our Business Plan](#) (NES01) and enhancement cases). Ofwat could support us in reducing barriers to meeting this priority by:

- Working with the Environment Agency to support the use of nature-based and catchment management solutions in tackling nitrogen and phosphorus reductions, rather than requiring ‘end-of-pipe’ solutions. This would make substantial progress towards removing the barriers to nature-based solutions in our Business Plan.
- Supporting our plan to use more ‘green’ solutions in storm overflows, where these are close to ‘least cost’ but provide wider benefits. We have discussed this with customers and stakeholders, who support this work.
- Considering how our Blue Spaces programme can contribute to the Government’s ambition to ‘create more green and blue spaces and enhance existing ones’, as set out in the Environmental Improvement Plan.

A resilient water sector

Our Business Plan matches our Water Resources Management Plan and long-term strategy – and will deliver solutions to the long-term challenge of water supply set out in the National Framework, including the need to be resilient to a one in 500-year drought. Our performance commitments for leakage, personal water consumption, and business demand match a trajectory consistent with the long-term targets set out by the government.

Our Business Plan also matches our Drainage and Wastewater Management Plan (which we have republished). We worked with others to develop large parts of this, including catchment-wide and nature-based solutions. We have adopted a best value plan.

The Northumbria Integrated Drainage Partnership shows how we have worked in partnership with other flood authorities to support and invest in flood resilience measures which secure wider benefits for our customers and the wider community. This is a non-statutory WINEP driver, but directly supports the aim of ‘greater resilience to flooding’ – and partnership working to do so – in the strategic priorities.

Our Business Plan explains how we have improved our understanding of the health of our assets, and how we have made decisions about additional investment needed during 2025-30.

Ofwat could support us to meet this priority by:

- Supporting our plan for the Northumbrian Integrated Drainage Partnership.

- Working with us to understand and accept the need for asset health investment in 2025-30 and in future and committing to the development of new asset health metrics and a new regulatory approach to assessing base maintenance costs after PR24. We encouraged Ofwat to do this in our [Future Ideas Lab submission](#) in 2022.
- Considering the climate change adaptation requirements in WISER, and how these can be reflected in PR24 and beyond – including restoring the resilience of ecosystems and considering how to tackle the impact of rising water temperatures as well as the impact of heat on assets.

Serving and protecting customers

As we describe in [6.5.2](#), we have taken significant steps to make sure we are treating all customers fairly and have strengthened our focus on protecting vulnerable customers. We have implemented the recommendations of CCWater's affordability review and have been the sector leader in driving data sharing initiatives both through the innovation fund and through our own initiatives (including with other sectors). We describe this in [A1 – Customer Affordability](#) (NES02).

We have also engaged meaningfully with our customers during the development of this Business Plan – and on a continuous basis between price reviews, too. Our evidence of how we have made sure that our Business Plan reflects robust evidence of customer expectations, as well as affordability and acceptability of future bills, is set out in [A7 – Customer and Stakeholder Engagement](#) (NES08).

We have continued to improve our customer service, with the top industry rating for C-MeX in 2022/23. We are also leading on complaint handling, and we are the only company to be rated 'good' in CCWater's 2022 [performance assessment](#).

Using markets to deliver for customers

We have engaged fully with the business retail market, and in our Business Plan we are targeting improvements to lead the sector in both the D-MeX and BR-MeX measures. Our Business Plan includes a range of large investments but following independent advice from KPMG and further guidance and correspondence from Ofwat, we do not propose any DPC schemes in our Business Plan. We describe our approach to DPC in [A6 – Deliverability](#) (NES07).

We will work with MOSL to make sure this provides support and drive for a well-functioning business retail market, as well as providing value for customers.

We are the frontier company on bioresources efficiency following a long-term strategy of consolidating down to two key locations for all sludge activities. On both of these sites, which enjoy by far the lowest costs of any in the sector, we undertake Advanced Anaerobic Digestion (AAD) and export 100% of our gas into the grid as a renewable energy source. In 2022/23 we offered gate prices to United Utilities and Yorkshire to trade sludge for treatment at our sites through their 'bid assessment frameworks'.

6.6. OPERATIONAL, FINANCIAL, AND CORPORATE RESILIENCE

Our resilience framework (see Section 4 of Appendix [A8 – Resilience](#), NES09) helps us to manage and improve our resilience across a wide range of shocks and stresses. Since privatisation we have expanded our services to meet the demand of a growing population, and we have demonstrated our resilience to many extreme dry, wet, hot, and cold weather events. We know that customers have consistently told us that top priority is a reliable supply of clean and safe water – and we asked customers about their views on resilience, particularly about how to balance this with affordability.

In preparing for PR24, we carried out a review of our maturity against our resilience framework (see Section 3.4 of [A8 – Resilience](#), NES09). This reviewed our resilience framework against latest best practice, refreshing and updating this where necessary, and carried out an independent maturity assessment for each element of the framework. We then looked at our current level of risk exposure for each element of the framework, reviewing our corporate risk register to understand how we score, measure, and mitigate these risks.

Having examined our current risks, we looked at the correlation between each element of the framework and future trends (as identified during the development of our long-term delivery strategy). This helped us to understand the link between our resilience framework and how this might need to change in different scenarios.

Finally, we looked at the highest priority areas, where we had low maturity, challenges on performance, or high uncertainty and high impact future trends. We describe this process and our conclusions in [A8 – Resilience](#) (NES09).

This identified five key priorities for PR24:

Build on our approach to continuing and emerging environmental expectations. We have a strong track record as one of the leading companies on environmental performance and net zero, with high Environmental Performance Assessment (EPA) star ratings and an industry leading commitment to decarbonisation.

However, customer and stakeholder expectations are increasing – and the role we are expected to play is changing. Our statutory environmental programme (WINEP) is much larger than for previous Business Plans, and we expect this to continue in the future. Our long-term delivery strategy sets out our working assumption that environmental expenditure will be as high as at PR24 for the foreseeable future.

We set out our PR24 plan for the environment in our Business Plan. On its own, this is not sufficient – and we describe our approach to future issues such as tackling ‘scope 3’ (or ‘embedded’) emissions and a circular economy strategy in our [Environment Strategy](#) (NES75). This helps to make sure that we have a holistic approach to understanding and tackling increasing environmental expectations in future, including engaging in conversations about developing a future approach to outcome-based catchment management and regulation, with decisions made locally.

Review our approach in relation to identifying, mitigating, and managing long-term risks, especially in relation to climate change. We discuss this priority, and our approach to this for PR24, in Appendix [A8 – Resilience](#) (NES09). Our

Business Plan for 2025-30 includes enhancement investment for tackling climate change where there are immediate impacts and reasonably certain outcomes. Our long-term delivery strategy anticipates increasing future expenditure on this, supported by innovation and building our understanding during 2025-30.

Make sure that the resilience of our supply chain is protected, and in particular making sure the supply chain is sufficient to respond to delivery challenges associated with our 2025-30 Business Plan. Our supply chain is critical to our success, and depends on clear, long-term relationships and investment plans. For 2025-30, we are particularly concerned about the capacity of our supply chain to take on early, accelerated delivery – and the national and regional capacity available to deliver the 2025-30 programme. In response, we addressed this risk early and comprehensively (see [A6 – Deliverability](#), NES07).

Make sure that we have a programme of replacement assets sufficient to maintain asset health in the long-term. In response to our ongoing work to assess the rate of deterioration/remaining life of our assets, it is important that we have a replacement programme which is costed and profiled for each investment period into the future, and fully funded in cost allowances at price reviews. We discuss this priority, and our approach to this for PR24, in Appendix [A8 – Resilience](#) (NES09).

Make sure that our financial resilience is sufficient to accommodate the overall scale of our 2025-30 Business Plan. We have tested our financial resilience in the context of a large increase in investment and discuss this in [A5 – Risk and Return](#) (NES06).

Our Business Plan and long-term delivery strategies address the key risks where we need investment now, and we are confident that we are taking the other steps we need to deliver operational, financial, and corporate resilience over the next control period and long-term. Our Appendix [A8 – Resilience](#) (NES09) provides the evidence on this.

This confidence relies on Ofwat understanding and accepting the need for additional expenditure on asset health and climate change resilience at PR24 – and the continuing need to understand this in more detail for future price controls. We have challenged ourselves to develop detailed, evidence-based cases for these investments that look at specific asset needs with immediate impacts to customers, rather than relying on more general comparisons with other companies and sectors (though we have provided this evidence too where relevant).

6.7. HOW HAVE WE ASSESSED THE FULL IMPACT OF BILLS ON CUSTOMERS – AND INTERGENERATIONAL FAIRNESS?

We took our responsibility to customers seriously in developing our Business Plan. We considered the full implication of the 2025-30 Business Plan as follows. [A1 - Customer Affordability](#) (NES02) provides details on our approach to affordability and we also provide a [line of sight report](#) (NES45) setting out some of the key customer engagement evidence that has shaped our plan.

Section [6.3](#) describes how we made sure that our Business Plan was high quality 'in the round'. This included challenging ourselves on costs and benefits, as well as setting stretching but achievable performance levels. Where investments are statutory, we looked at how to change the conversation to reduce these or deliver them in a different way.

For example, we:

- Challenged the Environment Agency on the need for abstraction reductions in Essex and Suffolk, to make sure that these were really necessary in full (and to the specified timings). We knew that requirements to meet abstraction reductions by 2032 could limit the options to higher energy and carbon intensity projects (such as water reuse), rather than a reservoir. Our customers and stakeholders preferred a reservoir option, where this would be best value, as this provides wider social and environmental benefits too.
- Challenged the Environment Agency on our Advanced WINEP programme, which could deliver much larger benefits for customers and wider social and environment benefits – for much lower costs – than traditional end-of-pipe solutions.
- Wrote to the Environment Agency twice setting out proposals that would reduce costs to customers without significantly impacting our environmental ambition.
- Worked closely with the Government to support the development of national social tariffs, providing our resource and expertise to allow more support for customers who need it.

We also worked closely with our Water Forum, asking them to challenge our Business Plan. By working to challenge and reduce the statutory requirements, and by driving efficiency for those requirements that really are necessary, we were able to reduce the impact of increasing water bills.

We discussed affordability with our customers throughout the Business Planning process. We found that most customers think that their current water bills are affordable, and good value for money – but with concerns around energy bill increases and other cost pressures (when we first did this research in summer 2022, energy bill increases were yet to reach their full extent). Customers expected to share the burden of water bills fairly between generations, so that bills reflected the costs of services. They expected clear information about bill increases and preferred these to be 'all at once – then flat' in the short-term (with concerns about fluctuating energy bills).

We developed our Business Plan enhancement projects by looking at the needs with partners across our areas – for example, our Advanced WINEP programme is mostly from recommendations from the North East Catchments Hub. We explored a wide range of options and assessed the relative costs and benefits of each option (see our Appendix [A3 – Costs](#) (NES04) for more details on this). These benefits used customer valuations of the benefits, to allow us to identify where customers might prefer ‘best value’ options where these were different from the ‘least cost’ option.

We tested three ‘packages’ of enhancement investments with our customers and discussed the non-statutory issues and items in more detail. Customers thought that with the ‘must do’ plan (that is, just meeting statutory requirements) leading to a substantial bill increase anyway, they preferred that we should do more to tackle resilience and lead replacement. However, some customers said that they would not be able to afford even the ‘must do’ plan.

In response, we changed our plans. We knew customers supported most of our ‘preferred plan’ but we removed some elements where customers had expressed mixed support – instead targeting lower levels of service improvement in some areas, and dropping our planned enhancement case for replacing our fleet with electric vehicles (and instead seeking to do this as part of a wider plan for net zero, through our base expenditure and as ‘spend to save’ investments). We developed some further options for customers on storm overflows in particular, proposing alternative phasing options and more green infrastructure in response to customer feedback. This allowed us to develop two final packages for our acceptability testing.

Finally, customers said that they preferred bill increases to match our costs by increasing slowly over time (that is, where stability was important in the short-term, a slowly increasing bill was more acceptable in the long-term).

This iterative development of our Business Plan allowed us to make sure the plan reflected the value that customers placed on different outcomes and investment – that is, making sure our development focused on their priorities, using their valuations to score and select the right options, and testing a series of possible packages and looking at what could be changed.

Having developed a plan that focuses on customer priorities, we are confident that we have challenged ourselves so that we can deliver this in the most efficient way (see our Appendix [A3 – Costs](#) (NES04) for more details). This includes using information on costs drawn from other sources, benchmarking our estimates against other water companies (including costs drawn from their PR24 planning by independent consultants), and setting a strong challenge for ongoing efficiency.

6.7.1. Addressing long-term affordability

Our [long-term strategy](#) looks at bills in the long-term – particularly at 2035 and 2050. Our calculation of bill profiles assumes that bills will follow costs (that is, our PAYG rates will follow the proportions of capex and opex, and our depreciation rates will match asset lives).

This is consistent with a gradually increasing bill, driven by high capital investments from long-term programmes such as storm overflows. We have considered how investments could be phased (such as for asset health) and where they must

be fixed (such as for water resources, where potential abstraction reduction requirements fixes this at particular dates). We have asked customers about their preferences, particularly around bills to 2030 and 2035, and have delayed some investment where it is right to do so – in general, customers thought that it was important to do investments that were reasonably certain and had an immediate impact on service now, and other investment that might not be needed could wait until later. Our ‘future customers’ people panels agreed with this approach.

So, our long-term strategy does deliver fairness between what existing customers will pay, and what is paid for by future customers. This matches the costs to when assets and investments are being used and makes sure that these are not built until they are required.

It is more difficult to be confident that our long-term delivery strategy protects customers’ ability to pay their water bills over the long-term. We have used a profile which supports what customers told us about long-term affordability, with gradual increases in water bills that are deferred for as long as possible. We have identified areas where we can see potentially large increases in water bills and are determined to drive a shared approach across the water sector to tackle these issues (such as asset health, adaptation to high temperatures, and abstraction reductions) in the interests of avoiding higher customer bills in future. And across our plan, we have demonstrated the importance of developing our innovation culture further and building deeper partnerships – to continue finding different ways of doing things in future, as well as building resilience. We have done what we can to protect customers’ ability to pay their water bills in the long-term.

Nevertheless, we know that high statutory investments will lead to higher bills in future. This increase has already led to us reducing our ambitious definition of water poverty from 2025, with water and wastewater bills making up a higher proportion of household outgoings in future. Our customers have asked us to do everything we can to keep bills as low as possible for customers, and we have done so for PR24 – but there will need to be more realistic conversations about how we plan and pay for future investments as a society. We have seen from other sectors (including energy and telecoms) that there can be dramatic shifts in the services provided and the size of bills, but this has not been seen in the water sector since the 1990s.

6.8. COSTS AND OUTCOMES

Ofwat has asked us to provide assurance on eight specific points on costs and outcomes. We can provide this assurance and present our detailed evidence in several of our appendices to this Business Plan. For some of these, we have included a section in each enhancement case and summarise our approach here and in [A3 – Costs](#) (NES04).

The NWL board has also taken independent assurance from:

- Economic Insight who provide [assurance](#) (NES72) that our base cost proposals and efficiency assumptions are reasonable and stretching.
- Mott Macdonald who provided [assurance](#) (NES68) that our enhancement costs have been robustly developed and are efficient, including via an independent cost benchmarking report (NES63 – not published).
- The [Water Forum commissioned independent expert challenge](#) (NES48) support in relation to the Business Plan which included review of the committed performance levels and efficiency assumptions.

6.8.1. Setting stretching but achievable performance commitments from base and enhancement expenditure

We have challenged our planning and operational teams to develop stretching but achievable performance commitment levels, including looking at the levels of base expenditure needed under several scenarios. We are confident that our ‘national leader’ approach has led to stretching performance commitments, and our modelling suggests that we would be the highest performing company in the sector (see [A4 – Outcomes](#), NES05).

We looked at the costs to deliver even more stretching performance commitments, particularly on leakage in Essex and Suffolk (where our long-term target is a 40% reduction in leakage) and on external sewer flooding (where we are one of the worst performing companies). We asked customers about the costs and value of going further on these, and following our customer engagement, set our performance commitments as in our Business Plan. In response, we have set a tougher long-term target on leakage in the North East. This is discussed in more detail in [A4 – Outcomes](#) (NES05).

We asked our Water Forum to challenge us on our assessment that our performance commitment levels would be stretching but achievable. They commissioned an external independent expert, Martin Silcock, to review our approach in a series of deep dives – and we have [published this report](#) (NES48) alongside our Business Plan.

Our Appendix [A4 – Outcomes](#) (NES05) looks at each performance commitment in detail, and explains how we have assessed a stretching but achievable target. It explains how we will deliver this in practice, and why we know this can be achieved. It also looks at historic and future trends in the sector, to help us target challenging but realistic improvements that can be made.

Our Business Plan tables show how we have forecast our contributions to performance from base and enhancement expenditure. For some performance commitments, this is entirely from base expenditure and we have used enhancement expenditure only when there is a clear step change required from an already efficient performance. In several instances there is a small contribution to some PCLs from the various enhancement schemes. For example, we have included enhancement expenditure for further improvements to leakage in Essex and Suffolk (where we are already a top performer and have exhausted many of the less costly improvement options); and to tackle storm overflows where there is a clear step change in requirements (and where we are one of the top performing companies now). We explain this in [A4 – Outcomes](#) (NES05), but also in each of our enhancement cases where we explain what will be delivered from base, and what will be delivered from enhancement.

The [Water Forum commissioned independent expert challenge](#) (NES48) provides some specific views and assurance in this area that plans are stretching but achievable.

6.8.2. Setting robust and efficient expenditure forecasts

We have challenged our teams to make sure that our costs are robust and efficient. We explain our approach in [A3 – Costs](#) (NES04). This has included a much more detailed approach to enhancement cases than ever before, working with a delivery partner to explore more options and carry out more detailed costings – as well as testing this with benchmarking.

In particular, we commissioned Economic Insight to undertake an assurance review of the base costs we include within our Business Plan and asked Mott MacDonald to provide a cost assurance note on the development of enhancement costs, including methods for assessing and benchmarking costs. Our Appendix [A3 – Costs](#) (NES04) explains these in more detail, and we include both of these letters in our Business Plan (NES72 and NES68). These letters were reviewed by our Board as part of their assurance statement.

6.8.3. Supporting only new investment

We have tested to make sure that all of our enhancement cases are new expenditure and have not been influenced by non-compliance or non-delivery of work that customers have already funded. We explain this in **each enhancement case** and identify one instance where this was a risk – in improvements to flood defences at our assets.

Although we received enhancement funding at PR19 for tackling flood defences, on inspecting some sites we determined that this work was not necessary or was not effective. Rather than completing this work, we are returning some of this funding to customers through our relevant ODI. We commissioned a much more detailed review of the likely trajectory of flooding under climate change scenarios, including looking at likely flood depths, to provide a greatly improved assessment of the work needed – and commissioned site inspections and spoke to long-term operators to make sure this was sensible. For our 2025-30 Business Plan, we have again included a mechanism to return funding to customers if individual projects are not required in practice when detailed flood assessments are carried out.

6.8.4. Robust options development and appraisal

We are confident that the options proposed in our Business Plan are the best for customers, and we have carried out a very detailed appraisal of options using customer valuations of the benefits. We worked with our delivery partner Mott Macdonald and Stantec to develop robust options for each need that we had in the Business Plan using a method that focusses on partnership and nature-based solutions first.

For some relevant enhancement cases, we asked customers about the options they preferred, and why, to allow us to take these views into account alongside a cost-benefit analysis. Our Appendix [A3 – Costs](#) (NES04) explains our approach to this, and our individual enhancement cases provide the details about the options we considered, our filtering process, the benefits we used to appraise this, and the results of our selection process. Where least cost and best value options were different, we asked customers about their preferences – for example, on storm overflows we asked customers if they wanted us to switch to green solutions for specific schemes where there were wider social and environmental benefits for a slightly more expensive solution (and they asked us to go ahead with this).

6.8.5. Ensuring deliverability

Although this remains a big challenge, we are confident that we have done everything we can to make sure our 2025-30 Business Plan is deliverable, and we have put in place a transformation for Northumbrian Water to make sure this can be delivered despite the large increase in investment required. When we identified the likely size of this Business Plan in summer 2022, with new requirements emerging across our plan, we took immediate action to commission an [independent report](#) (NES40) on the likely ability of the supply chain in our areas and across the UK to manage this. In 2022, there was a 'perfect storm' on investment requirements – with the size of abstraction reductions, storm overflows discharge reduction plan, nutrient neutrality legislative change, and monitoring requirements in particular creating a very large increase in investment expectations.

Our Appendix [A6 – Deliverability](#) (NES07) explains this independent review in more detail. At the same time, we reached out to our suppliers and regional organisations in our areas to understand their capacity and likely capacity shortages. This review identified actions that would help to mitigate delivery risks, and we launched a transformation programme to deliver these actions.

This has led to accelerated delivery plans across our Business Plan, as well as discussions about how to finance and deliver these projects in practice. We explored Direct Procurement and other methods which might be able to draw on other sectors, such as smart metering capacity that was no longer needed in the energy sector. We procured our support and technical partners earlier than usual in the cycle.

We discussed these issues with our Board and Water Forum, and engaged at a senior level with Ofwat, Defra, and others. We worked with Water UK to contribute to a sector wide approach (having already carried out our own assessment and identified key risks). And we identified investment areas that could be reduced, delayed, or changed to give similar outcomes without putting as much pressure on the supply chain. We already have strong links with our supply

chain and local communities, with our approach considered one of the best in the sector, and we will strengthen this further by providing further opportunities to build new skills areas and provide certainty for supply chain investment for the future. We reviewed the [work completed for Water UK](#) (NES51) and used the ‘checklist for boards’ to consider our readiness to deliver the AMP8 programme.

We have described this in more detail in [A6 – Deliverability](#) (NES07). We are pleased that Ofwat responded to our recommendation in the methodology consultation to look at deliverability in more detail at PR24, and that they understood the same risks we had seen. Ofwat could support deliverability by providing some certainty about future investments beyond 2030 too, to support supply chains in their expansion and skills development strategies and [reduce cyclicity](#).

We asked Jacobs to review our approach so far, in September 2023. They provided an assurance review which our Board discussed as part of their Board assurance – and we include this in our [Business Plan](#) (NES01).

6.8.6. Protecting customers through ‘Price Control Deliverables’

We are confident that we have included PCDs which cover all of our material enhancement expenditure. We developed an approach to assessing PCDs using Ofwat’s principles (from workshops during Spring 2023 and the following guidance in July 2023) and we explain this in [A3- Costs](#) (NES04). We have provided all the required information in that same appendix, with individual assessments also provided within each of our enhancement cases.

6.8.7. Affordable investment

We have tested our proposals with our customers, including phasing or delaying investments to later price review periods. We explain this in detail in [A7 – Customer and Stakeholder Engagement](#) (NES08). In our affordability and acceptability qualitative research, customers supported our ‘preferred plan’ rather than our ‘must do’ plan.

As we describe in this appendix, we challenged ourselves strongly to make sure that investments were efficient and were really needed now. Our Business Plan includes three areas which drive higher bills than are strictly necessary, and we discussed these extensively with customers and our Water Forum to make sure these were affordable and acceptable:

- **Climate change adaptation** – where we are investing to reduce immediate service impacts, and where there are clear risks already. Customers supported this approach, rather than delaying this to beyond 2030.
- **Lead replacement** – where customers strongly supported an increased programme of lead replacement. This still does not provide a sufficiently accelerated programme which would allow us to meet the 2050 targets set by Water UK without further acceleration in future but provides a balanced increase that is supported by both DWI and customers.
- **Storm overflows** – where we asked customers to choose between options that delayed some of the investment to the 2030-35 period (as our legal targets are mostly for 2035). Customers did not want to delay investments in bathing waters and asked us to tackle some of these during 2025-30 too.

We are confident that our plan does not raise bills higher than necessary, with customers supporting our position on these specific items, as well as our preferred plan. We have tested customer views on statutory investments too, and there are some areas where statutory requirements are not in line with customer expectations – particularly on nutrient neutrality, where customers supported our Advanced WINEP approach and expected us to challenge regulators strongly. We have made this challenge on this – and other – topics where customers expressed their view.

In [A1 – Customer Affordability](#) (NES02) we describe our approach to affordability including how we are significantly expanding our package of support to make sure bills remain affordable to customers.

6.8.8. Reflecting customer views

We are confident that these proposals reflect customer views. As described above and in our Appendix [A7 – Customer and Stakeholder Engagement](#) (NES08), we have tested this extensively and throughout the development of our Business Plan. We explain in each enhancement case how we have tested this, where appropriate and provide summaries of key research topics that inform the plan in the [Common PC insight summary](#) (NES42), the [enhancement and other service area summary](#) (NES43), the [prioritisation of common PCs](#) (NES44) and the [line of sight report](#) (NES45).

For some cases, such as statutory investigations under WINEP, we have not explicitly discussed proposals with customers. This is where they are relatively low value and where we are required to do these by law – and so customer views cannot be taken into account in our decisions/there is more limited opportunity to challenge. We have discussed this, and the overall investment needs for the environment with customers. We have also discussed statutory investment with customers where this is large, and where there are opportunities to influence national conversations or legislative requirements. Where regulatory requirements dominate decision making, customer views cannot always be considered – regardless, we asked customers if they wanted us to challenge these.

6.9. RISK AND RETURN

Ofwat has asked us to provide assurance on two specific points on risk and return. We can provide this assurance and present our detailed evidence in our Appendix [A5 – Risk and Return](#) (NES06). This describes in detail how we have tested the financeability of the Business Plan, the approach taken and the results and conclusions.

6.9.1. Demonstrating financeability and financial resilience

The Business Plan is financeable to allow debt to be raised on reasonable terms. But our Board is concerned about the equity financeability of the plan under the Ofwat 'early view' return and so an alternative return is set out.

We have used the Ofwat 'early view' return, updated for market return data, as required by the PR24 methodology. We examined financeability by reviewing both debt credit metrics using the rating agency defined thresholds and also considering the equity return against other market benchmarks and cross-checks. We undertook this analysis using Ofwat's [PR24 financial model](#) which we provide as part of our submission (NES_M_01).

When we use this, our Business Plan is financeable under the notional structure for the traditional credit metrics that Ofwat has used historically for financeability after a £400m equity injection and reducing distributions and achieves a Baa1/BBB+ credit rating.

We apply various 'stress tests' in line with Ofwat's guidance but also reflecting the observed performance in the 2020-25 period. These largely require further equity injections to mitigate the impacts and retain financeability.

We have used Ofwat's ODI rates in our Business Plan. We do still have some concerns about these rates and have described these in our Appendix [A4 – Outcomes](#) (NES05). Our analysis of RORE shows that under our plan there is more downside risk than upside opportunity for outperformance implying a skew to be corrected.

First Economics provide [assurance](#) (NES69) in relation to our approach to testing financeability of the Business Plan and the allowed return. They conclude that the approach we have taken is robust and they also support our view that the Ofwat 'early view' return (updated for market movements) is not financeable/likely to be insufficient to attract new equity.

We will be financially resilient over 2025-30 and beyond, under our Business Plan. We describe the steps we took to understand this, and so provide assurance, in [A5 – Risk and Return](#) (NES06). This includes our financial modelling and stress testing.

6.10. CUSTOMER AND STAKEHOLDER ENGAGEMENT

Our Appendix [A7 – Customer and Stakeholder Engagement](#) (NES08) explains how our customer engagement and research meets the standards for high-quality customer research, including the specific requirements for the affordability and acceptability research and Your Water, Your Say session. Our customer research and regulation teams have engaged actively in this work with Ofwat and CCWater, providing advice and challenge – including presenting our approach to research and planning triangulation at a CCWater best practice workshop on 26 April.

We appointed our Customer Engagement Panel to provide independent assurance on our approach, including looking specifically at our customer engagement summaries and how we used this evidence to inform our Business Plan and long-term delivery strategy. They [published their report alongside our Business Plan](#) (NES46). The report, which is structured around eight themes begins by noting that the mandate for Independent customer challenge groups (ICGs) was changed at PR24 from PR19 and the scale of the investment that is driven by statutory requirements. Some of the key points it makes are set out below. It:

- commends the company for establishing an independent mechanism to provide constructive challenge to customer research, notes that we ‘did a good job’ responding to the challenges raised and states that it considers we have been ‘positive, open and transparent’ with them;
- considers that we have a ‘small dedicated and hardworking customer research and engagement team’ that ‘demonstrated great commitment to representing the voice of customers’ but also raised questions about whether operational leaders could be more involved in the commissioning of research and whether we could do more to disseminate research findings more across the business, which we will seek to address further in the future;
- notes that some innovative methods were deployed including our use of ‘Flo’ our mobile customer engagement vehicle and that they had ‘seen good examples of the collation and housing of multiple internal and external sources’ noting the work we have carried out with Sia partners to establish the triangulation approach that we have used in the development of the Business Plan and that they have had the opportunity to influence that process and approach;
- in relation to quality considers that ‘every effort’ was made to follow the Ofwat guidelines for testing customers’ views of the acceptability and affordability to follow the Ofwat guidelines with ‘considerable attention to every detail of the guidance’. The CEP also notes that the team identified problems and proposed solutions that were adopted by Ofwat and CC Water; and
- the CEP highlights how they challenged NWL to demonstrate more clearly the links to the customer research and how we have responded to that.

Finally, the team provided some feedback to Ofwat on the centralised research programme that we would encourage them to consider for the future including raising some concerns about the use of ‘acceptability’ testing (as per below).

The Customer Engagement Panel chair attended our Board sub-group meeting in June 2023 to discuss the impacts of our qualitative affordability and acceptability research and provide challenge and comment on the first draft of our Business Plan.

6.10.1. Customer support, acceptability and affordability of the plan

Ofwat did not set any further assurance requirements in this area, but we wanted to test this more thoroughly. It is always important to make sure that our Business Plan really is supported by our customers, but for 2025-30 it was particularly critical – as these decisions are more difficult, with no simple answers to balancing investment and affordability. In response to this, we included more iterative discussions with customers, including engagement under WRMP and DWMP as well as the development of our long-term delivery strategy. We included an additional stage to our affordability and acceptability research, engaging with customers on their preferred packages and enhancement cases, discussing phasing and the impacts of different choices with them, before asking about their final preferences.

This approach has given us more confidence that our plan really is supported by our customers, with a very high acceptance rate from customers in our qualitative affordability and acceptability research (87% of customers in the North East, and 78% in Essex and Suffolk). In our quantitative affordability and acceptability research, 71.8% of household customers in the North East and 70.0% of household customers in Essex and Suffolk supported our Business Plan. Overall from the quantitative analysis 74% of customers found our plan ‘acceptable’.

In their [independent report](#) (NES47), our Water Forum said that:

‘It is evident to Water Forum members that the Company has demonstrated significant progress between each iteration of the draft Business Plan that we reviewed – in June, July and at the end of August. Timescales were tight, but we welcomed the opportunity to provide comment and challenge on all three iterations for consideration by the Board Sub-Group (BSG)....

In the end, it is for the Company to determine how its final Business Plan best meets the needs of customers. Our role has been to examine the emerging policy and project proposals, challenge thinking and give a view where we can, and within the constraints of time and materials available to us.

We commend the Company for the open and transparent way in which it has approached challenge and scrutiny thus far and express our thanks to all involved, including Peter Vicary-Smith, whose attendance at many of our meetings has been very helpful. It is neither a comfortable nor an easy process and the Company has taken time and invested resource in this area in an endeavour to create a better Business Plan.’ (Executive Summary p.3)

We explain how we have used customer evidence as part of our decision making in our Appendix [A7 – Customer and Stakeholder Engagement](#) (NES08) and our [line-of-sight report](#) (NES45).

We acknowledge that the A&A research also highlighted high-levels of concern around the affordability of the plan and we have also sought to reflect that feedback in our approach to affordability including a four-fold expansion in the level of

affordability support and a new £20m shareholder funded hardship scheme. We explain our approach to affordability in [A1- Customer Affordability](#) (NES02).

6.10.2. Considering stakeholders

Our Business Plan process included more stakeholder engagement and shared planning than ever before. The North East Catchments Hub and Northumbria Integrated Drainage Partnerships have both provided recommendations for projects – that we have accepted almost in full – that deliver wider benefits in a more efficient way than we could have alone. For our WRMP, we have worked extensively with partners across Water Resources East and discussed potential plans and projects through our consultation process. For our DWMP, we consulted local stakeholders and have identified partnership opportunities in our [published mapping tool](#) for projects at a local level. For our long-term strategy, we consulted on our targets and proposed investment profiles under different scenarios, targeting local stakeholders to engage with (and we explain the changes we have made following this stakeholder engagement in our [long-term delivery strategy](#) (NES_LTDS)).

For each enhancement case, we have considered partnership working and catchment management solutions before any other options – and so there are more partnerships than ever before, including some long-standing and deepening relationships. On issues such as nutrient neutrality, we have worked with stakeholders across local areas such as the Tees Valley to support decision making (and evidence to decision makers, where this was not us).

This engagement has not stopped with the publication of our Business Plan – it has still only just begun. As we begin to develop more detailed plans, we will engage on the design and potential shared objectives to identify more where we can. For example, we have committed to reinvesting any outperformance payments for our biodiversity ODI to support increased benefits to our customers, partners, and communities in our regions.

6.11. RISKS AND UNCERTAINTY

This was not an Ofwat requirement, but we set this assurance question as we needed to understand the delivery risks and how we would make decisions in delivering our plan in practice.

In response to the emerging enhancement programme in 2022, our Board sub-group discussed the relative priorities, key risks and possible mitigations, and our approach to engaging with customers on the difficult choices we would need to make. This identified a range of mitigations, for example in September 2022 our Board sub-group discussed that:

- We wanted to drive the right outcomes, rather than being driven only by prescribed requirements. This meant that we were prepared to challenge statutory investment requirements where these would not result in the best outcomes for customers.
- We would need to focus on deliverability of the plan (see [6.8](#)), including launching our transformation programme.
- We would be at risk of developing a Business Plan which further damages customer trust by promoting a range of investments that customers do not support. In response, we strengthened our engagement with customers and Water Forum so that we understood their preferences and used that to prioritise our Business Plan and continued to engage with Defra and regulators to influence statutory obligations to align these with customer preferences (or phase them where this was not possible).

As a consequence of the discussions under this assurance question, we identified key priority areas where we could influence regulatory and government policy – and where there could be flexibility to not meet statutory requirements if these were not in the interests of customers. We also identified where investments would be critical to meet strategic, long-term challenges, and mapped customer priorities against investment areas. Our Board sub-group and Water Forum supported operational teams in making this challenge.

In 2023, we developed our consultation on our long-term delivery strategy. This identified the trigger points which represented the critical decisions we would need to make for our plan – both for delivery in 2025-30 (such as the need to build additional water resources in Essex and Suffolk), and for delivery in future periods (such as accelerated or decelerated delivery of storm overflows). We developed our programme for accelerated delivery, looking at where base and enhancement investments could be delivered earlier to provide more benefits for customers.

We identified the need for an equity injection to fund our investment programme and discussed with shareholders how this might be achieved in practice. Our Appendix [A5 – Risk and Return](#) (NES06) reflects these discussions, and our Business Plan would allow us to be financeable under the notional capital structure only with that injection.

We still had some substantial risks in our capital programme, and so looked at uncertainty mechanisms to tackle these (see [A3 – Costs](#) (NES04) for full details).

Finally, there is a much higher risk to costs in 2025-30 than in any previous investment period. That's because a much higher proportion of the plan is enhancement costs – and of this, a high proportion is new types of investments that have been more difficult to compare to existing projects across the sector. We have addressed this risk by developing much more detailed cost estimates at this stage than ever before, and benchmarking these with emerging costs across the sector. This reduces our total portfolio cost risk.

Inevitably given the uncertainty of some new legislation and the adaptive plans we have developed we have needed to reflect some of that uncertainty in the Business Plan, in some instances we hope that these issues can be resolved by the time of the Final Determination but the board wanted to present as robust and full as plan as possible to Ofwat. We discuss those uncertainty mechanisms in [A3 – Costs](#) (NES04).

6.11.1. Regulatory risks and impacts on the long-term plan

We identified several regulatory risks in developing our Business Plan and have used these to drive our engagement with regulators throughout the process. In particular, these included:

- Our 2025-30 Business Plan has the largest investment requirements in a single period since privatisation – driven by statutory requirements, at the same time as the biggest cost-of-living crisis in a generation.

Ofwat and other regulators **have engaged with us constructively** and considered many of the issues we raised – especially around accelerated investment and including deliverability assessments in the Business Planning process. There is still limited recognition of the need to determine the right balance of investment and affordability together, and Ofwat has not been able to provide further clarity on its views between customer affordability and investment to meet statutory obligations. But our increased consultation with our customers and a strengthened, independent challenge of our Water Forum has supported us in developing a range of Business Plan options for customers and stakeholders to consider – with an inclusive, iterative decision-making process at the heart of our Business Planning.

- We were concerned that Ofwat's methodology proposals on risk and return were not consistent with the statutory duties, and these would not support the investment that is needed at PR24. This risk remains, with Ofwat maintaining almost all of its proposals from the methodology consultation, and this is **highly significant** at PR24 – under-estimating the return needed to be attractive for equity investors could make it impossible for water companies to find the significant new investments required to fund their investment programmes. We have provided significant amounts of evidence on this over the last two years but Ofwat has not changed its views despite many of those views having been considered previously and rejected by the CMA. This means that we have found ourselves in the position of providing a caveat with our financeability statement. (see [A5- Risk and Return](#), NES06).
- We were concerned that the **role of customers had become very limited** in the Business Planning process, with the methodology being over prescriptive on the measures to use. Most of this risk still remains, though in

many cases has not constrained our decision making. Decisions about dead bands and extreme weather have dominated decision making about resilience and performance commitments in some areas and have driven real investment choices - with Ofwat providing no evidence that these are priorities for customers.

We do not think customers have had an adequate role in determining ODI rates, in practice, with Ofwat's collaborative research largely abandoned in favour of top-down rates. Ofwat has acknowledged that the affordability and acceptability research is overly prescriptive, and may not provide the results that they had expected – but in practice, we have been able to make this research useful by supplementing this with 'pre-acceptability' research to guide the development of packages; and by running our people panels in parallel with the acceptability qualitative research, we could understand the impact of customers developing some sector knowledge over time (compared to customers who were new to the research entirely).

We have also expressed our concern several times about how the Your Water, Your Say sessions will be used as customer evidence. In our session, whilst we inevitably received some challenge given the external environment customers provided little challenge to the substance of our plans in the meeting and generally asked detailed questions about local issues, which we addressed in our plan (or with individual customers directly, for more personal or local issues): still, we do not think this should be given much weight in assessing customer support for our plan because this is not research and (by its nature, and under the Ofwat rules) does not follow the good practice guidelines. We did find this session useful because all of our customers were able to proactively join us and ask questions – rather than as a research exercise.

- We are concerned that although **nature-based and catchment management solutions** were priorities for the Secretary of State, regulators were creating unnecessary and administrative barriers to these (such as our proposals for Nutrient Neutrality and using nature-based solutions to address these issues). This is being resolved in part through negotiations and discussions, but it is still clear that these decisions are not always being taken strategically and if we want to see more of these solutions then we need to be prepared to take some risk (see our [WINEP protected areas and bathing waters enhancement case](#), NES28).
- We remain concerned that Ofwat will not fully consider investments in **asset health**, which are a critical part of making sure our network remains resilient in the long-term. We have provided evidence that base capital maintenance allowances based on historic expenditure are unlikely to be sufficient to meet the needs of the future, and in our enhancement cases we provide the details of the specific investments that need to be made, and the impacts these will have (see our [Asset health enhancement case](#), NES35).

In this appendix, we have raised some of the issues that still remain at risk during the rest of PR24. We welcome Ofwat's efforts to engage with companies before draft determinations and would welcome further open discussion about these and any other topics.

6.11.2. Testing alternative assumptions

Our Board has been fully involved in testing the assumptions that underpin the submission across the 17 meetings that we have had with the BSG and the other workshops. For example:

- In developing our DWMP, the Board discussed assumptions about forecasting our number of properties and flooding water. They also challenged our forecasts of climate change and how we had included this in the plan.
- In developing the WRMP the Board discussed each of the drivers creating the deficits for WRMP24 versus WRMP19 and also debated different solutions which drove the exploration of the winter storage reservoir.
- In considering the position and ambition around the PCLs and base costs the board examined Ofwat's definition of ambition as per the PR24 methodology and the disconnect between costs and service versus the use of our 'national leader' definition and chose to develop the plan using the latter. This was considered when the draft plan was developed in December 2022.
- The Board examined the use of different efficiency assumptions across the plan including different approaches to 'frontier shift' and the eventual position adopted in the Business Plan reflects a view on a robust level of stretch but one that can be reasonably reconciled to the efficiency performance of the business historically.
- The Board examined different options for enhancement cases through the 'bronze', 'silver' and 'gold' reviews with the opportunity to comment on the proposed and alternative options in those cases.
- The Board formally debated and agreed the options that would be taken forward for the A&A qualitative research and the enhancement elements that would be discussed with customers which would define the selection of options for the final Business Plan.
- The board examined the different parameters around the risk and return package in the plan, including through formal meetings and smaller workshop discussions. This included reviewing the different parameters of setting the cost of capital, the CMA and regulatory precedent, the impact of different levels of allowed return on the financeability of the plan and different approaches to ensure the financeability of the business leading to the assumed £400m equity injection.

7. DATA ASSURANCE

We have a good track record of data assurance, with Ofwat scoring us highly on data assurance for annual performance reports (including its highest assessment, 'exceeds expectations') and at PR19.

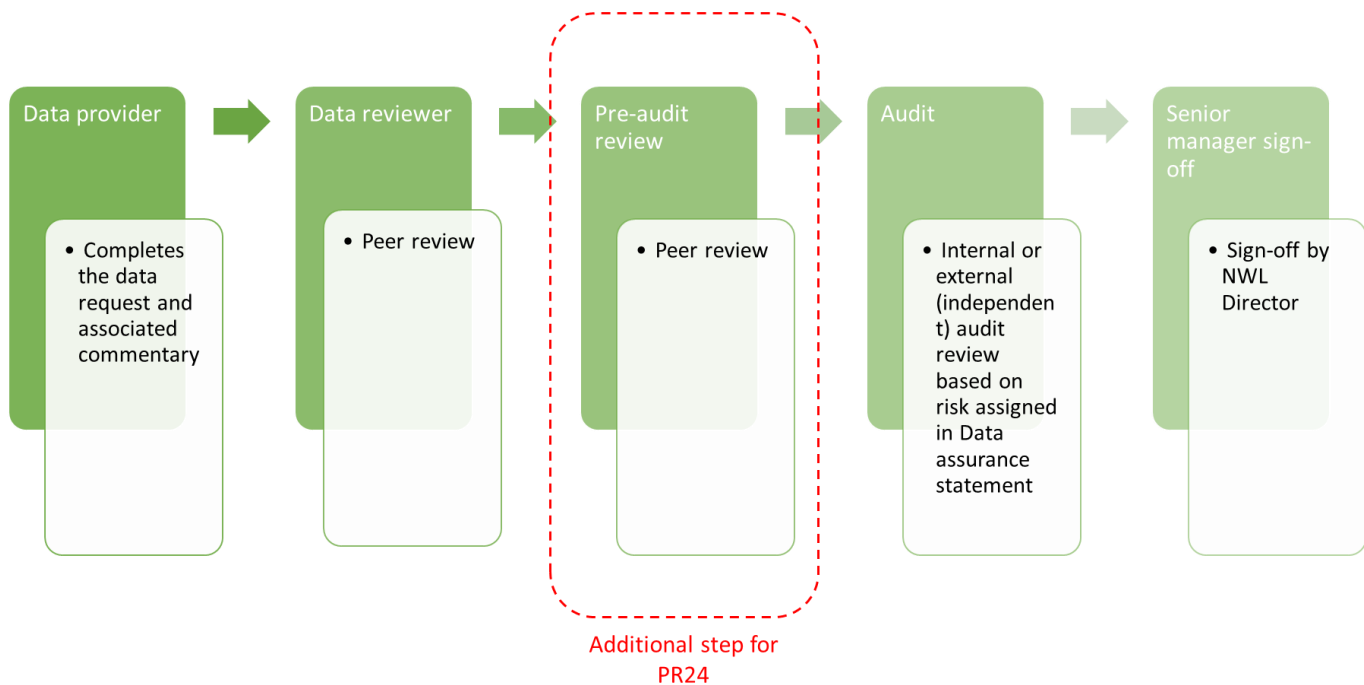
Since then, we have continued to publish an annual risks, strengths, and weaknesses statement and consulted on our draft assurance plan. We published our assurance plan annually until last year, which tells our customers and stakeholders about what we do to make sure any information we give to customers, regulators, and stakeholders is true and correct.

This [assurance plan](#) explains our data risk model, where we:

1. Apply a formal risk assessment to the data we collect, to understand the likelihood of reporting errors due to complexity and the manner in which the data is collected, as well as understanding the impact should an error occur.
2. Apply data quality controls to mitigate risks (these can be procedural, audit based, or built into our information systems). We review the effectiveness of these controls as part of our risk assessment.

Our assurance plan explains our data assurance system, using an automated workflow to upload, manage and assure the data for our APR, with a robust audit trail. We have used a similar system for PR24 data, with data owners kept consistent with the APR wherever possible but also added a further review stage into the process as a 'pre-audit' review. Data tables and commentary must pass through each review stage successfully before being complete where issues are raised data and commentaries are returned to the data provider for amendment before needing to pass back through each stage.

FIGURE 4: OUR DATA ASSURANCE PROCESS



We identified PR24 as an area of risk, as errors could have a large impact on confidence in our Business Plan (as well as making the process of assessing this more difficult).

We appointed PwC to provide assurance for the highest risk information, which focussed on the non-financial information in line with the assurance plan. PwC also provide this service for Annual Performance Report information too so we can be more confident that they can build their knowledge and understanding of our business through the APR process, before the more complicated Business Plan tables.

Some of the information has changed from DWMP and WINEP submissions. We have agreed changes to WINEP with the EA and improved our cost estimates since the submission (including taking customer evidence into account in developing our Business Plan further since then). When we published our DWMP, we were still discussing affordability and acceptability with customers – and so we said that we would revise our tables and republish these alongside our Business Plan (which we have done).

There are two areas where we have improved our data processes substantially to meet PR24 requirements:

- Our forecasts of enhancement costs and their related benefits are now held in our Copperleaf system, which allows us to select best value options and easily summarise benefits and costs across areas of the plan. Although we will continue to develop and use Copperleaf to manage and optimise options for the next stages of planning and delivery, we have frozen a copy of the information used to produce Business Plan outputs.

- We have built a model for our long-term delivery strategy scenarios, which produces the data required for some of the data tables. This model helps us to make sure that these tables are completed with consistent data, and that this matches our Business Plan exactly.

The Board met to consider the final Business Plan including the assurance evidence at its meeting on 19 September. At that time the assurance work on the Business Plan was substantively complete allowing the board to formally agree the submission with the exception of the data table assurance which was ongoing. The board delegated final sign-off to the Chair of the PR24 sub-group (PR24 BSG) and the CEO subject to the satisfactory progress of the data table assurance. On the 29th of September, the Chair of the PR24 BSG and the CEO agreed that all other assurance had been completed and that the data table assurance process had been substantively and materially completed and the plan and associated data tables should be submitted. If any data quality issues arise during the final steps of the data table assurance process then we will inform Ofwat of those issues by the 6th of October.

8. ASSURANCE STATEMENT

8.1. MEETING THE OVERALL ASSURANCE REQUIREMENTS

We have satisfied ourselves that the **systems, approach to risk management, and internal controls and processes** in place to develop the data and information on which we based our decisions was appropriate and effective (see section 6.2 and the explanation of our business as usual and PR24 approaches in Sections [4](#) and [5](#)).

We are confident that the overall strategy for data assurance and governance processes delivers **high quality data** across all aspects of the plan and long-term delivery strategy (see Sections [4](#), [5](#), and [7](#) – and our separate, published assurance plans). Assurance on the data tables supporting our Business Plan has been provided by [PwC and Internal audit](#) (NES10). [ChandlersKBS](#) (NES61) provided some assurance on tax data tables.

We are confident that we had access to a **complete and transparent view of our company’s historic and expected performance when making decisions**. We have reviewed the information provided in the appendices to our Business Plan, which sets out our historic performance, including relative to the sector, and have discussed different options for expected performance in the future at the PR24 Board sub-group. [Jacobs](#) (NES62) provide independent assurance on the progress of our PR19 enhancements.

We are satisfied that all the elements add up to a submission which is **high quality in the round**. We describe the evidence and process we used to assess this in section 6.3 and across this appendix. The [Water Forum](#) (NES47) has challenged the overall quality and ambition of our Business Plan.

We have challenged ourselves to demonstrate that our Business Plan and long-term delivery strategy will deliver operational, financial, and corporate resilience over 2025-30 and in the long-term. We describe the evidence and process for this in section 6.6 and in our separate Appendix [A8 – Resilience](#) (NES09).

We have made sure that our Business Plan is deliverable and enables us to meet our statutory and licence obligations, now and in the future. We explain the evidence and process for deliverability in Section [6.8](#) and in our separate Appendix [A6 – Deliverability](#) (NES07). [Jacobs completed an early report](#) (NES40) for NWL into the actions the business would need to take to be able to effectively deliver such a large investment programme. We invited [Jacobs to return and review](#) (NES71) our progress ahead of the Business Plan submission including assessing our progress against the [Stantec](#) (NES51) ‘checklist’ for company boards.

We explain the evidence and process for testing that we will be able to meet our statutory obligations in section 6.5 and we commissioned a legal review of our obligations in September 2022 ahead of the development of the first iteration of our Business Plan and invited [KPMG Law](#) (NES77) to review how our legal obligations have been addressed in the Business Plan and LTS.

We have been closely involved with the testing of assumptions that underpin the submission, and we have considered the impact that alternative assumptions may have. We have used the range of skills and experiences from the whole board to test the impact of our assumptions on the wider stakeholder base. We explain this in Section [6.11](#), alongside our assessment of delivery risks and regulatory risks.

8.2. MEETING SPECIFIC ASSURANCE REQUIREMENTS

Section 6 of this appendix shows how we have tested against each of our high-level assurance questions – which include all of the Ofwat specific assurance requirements set out in Table 10.2 of the Ofwat methodology. We set out our formal statement below, which confirms we have met all of these specific assurance requirements and shows where we provide the evidence for this within this appendix. There were some areas where meeting the assurance requirements were more challenging:

- **The Business Plan is financeable to allow debt to be raised on reasonable terms. But our Board is concerned about the equity financeability of the plan under the Ofwat ‘early view’ return.** We have used the Ofwat ‘early view’ return, updated for market return data, as required by the PR24 methodology. When we use this, our Business Plan is financeable under the notional structure for the traditional credit metrics that Ofwat uses for financeability. This is only the case after applying mitigations, including a £400m equity injection which is required under both the notional and actual structure. However, our Board is concerned that Ofwat’s ‘early view’ return will be insufficient to attract the necessary equity financing, a view that was also confirmed by First Economics in their assurance. So, we have set out an ‘alternative return’ which we believe would be financeable to equity.
- **The Board is confident that NWL is doing all it can to make sure that the Business Plan is deliverable but given the scale of the investment programme for the 2025-30 period this remains a risk that the board will continue to monitor carefully.** The independent assurance provided by Jacobs confirms that NWL’s progress in relation to preparing for the forthcoming investment programme is generally ‘good’. However, given the scale of the investment programme the board will continue to focus on this area through the Risk and Compliance sub-group.
- **The Board is confident that the plan will enable NWL to meet its legal obligations to 2030, indeed some aspects of the plan will help to reduce risks highlighted in NWL’s most recent risk and compliance statement to Ofwat. However, it notes that new obligations are still emerging, including from the Levelling Up and Regeneration Bill (LURB) and ongoing discussions with regulators. The plan submitted represents the best current view of this and we have provided additional information to Ofwat through supplemental data tables to help address any uncertainty.**
- **Robust data table assurance was substantively complete at the time of the submission.** The Board met to consider the final Business Plan including the assurance evidence at its meeting on 19 September. At that time the assurance work on the Business Plan was substantively complete allowing the board to formally agree the submission with the exception of the data table assurance which was ongoing. The board delegated final sign-off to the Chair of the

PR24 sub-group (PR24 BSG) and the CEO subject to the satisfactory progress of the data table assurance. On the 29th of September, the Chair of the PR24 BSG and the CEO agreed that all other assurance had been completed and that the data table assurance process had been substantively and materially completed and the plan and associated data tables should be submitted. If any data quality issues arise during the final steps of the data table assurance process then we will inform Ofwat of those issues by 6 October.

FIGURE 5: MEETING OFWAT’S ASSURANCE REUQIREMENTS

Assurance requirement	Evidence section	Assurance evidence
<p>We have challenged and satisfied ourselves that the long-term delivery strategy:</p> <ul style="list-style-type: none"> • reflects a long-term vision and ambition that is shared by the board and company management; • is high quality, and represents the best possible strategy to efficiently deliver its stated long-term objectives, given future uncertainties; • will enable the company to meet its statutory and licence obligations, now and in the future; • is based on adaptive planning principles; • has been informed by customer engagement; and • has taken steps to secure long-term affordability and fairness between current and future customers. 	6.4	<ul style="list-style-type: none"> • We consulted on a draft of our long-term strategy (LTS) in 2023 ahead of finalising that strategy for the Business Plan. We asked Sustainability First to review the draft and provide feedback and latterly to provide assurance (NES74) that our LTS would meet Ofwat’s requirements. • Peter John Consulting supported us in the development of the modelling for our Long term strategy and provided some assurance (NES_LTDS10) on that modelling.
<p>We have challenged and satisfied ourselves that the 2025-30 Business Plan implements the first five years of the long-term delivery strategy.</p>		
<p>We have provided evidence of where we have challenged company management and explained how we have arrived at our view that the long-term strategy is as good as it can be.</p>		
<p>We have challenged and satisfied ourselves that we considered the full implications of the 2025-30 Business Plan, and that the plan achieves value for money.</p>		
<p>We have challenged and satisfied ourselves that the long-term delivery strategy protects customers’ ability to pay their water bills over the long-term and delivers fairness between what existing customers will pay, and what is paid for by future customers.</p>	6.7	<ul style="list-style-type: none"> • The independent report (NES47) from the Water Forum discusses the challenge that they have provided on affordability.

We have challenged and satisfied ourselves that:

- The performance commitment levels in the plan are stretching but achievable and reflect performance improvements expected from both base and enhancement expenditure.
- The expenditure forecasts included in the plan are robust and efficient.
- The needs for enhancement investment are not influenced by non-compliance or non-delivery of programmes of work (both base and enhancement) that customers have already funded.
- The options proposed within the Business Plan are the best option for customers, and a proper appraisal of options has taken place.
- PR24 plans and the expenditure proposals within them are deliverable, and the company has put in place measures to make sure that they can be delivered. We have set out the steps we have taken to make sure that the supply chain risk is manageable and our delivery plans account for (i) the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment; ii) the impact of similar levels of growth across the sector and any overall sector and supply chain capacity constraints; and iii) key supply chain risks and capacity constraints, such as the availability of specialist resource or components, for example river quality monitors, smart meters, or SuDS designers.
- The plan includes price control deliverables covering the benefits of material enhancement expenditure (not covered by performance commitments).
- The expenditure proposals are affordable for customers and do not raise bills higher than necessary.
- The expenditure proposals reflect customer views, and where appropriate are supported by customers.

6.8

- Economic Insight provide [assurance](#) (NES72) that our base cost proposals and efficiency assumptions are reasonable and stretching.
- Mott Macdonald provided [assurance](#) (NES68) that our enhancement costs have been robustly developed and are efficient, including via an independent cost benchmarking report (NES63 – not published).
- The [Water Forum commissioned independent expert challenge](#) (NES48) support in relation to the Business Plan which included review of the committed performance levels and efficiency assumptions.

We provide assurance that the Business Plan is financeable on the basis of the notional capital structure, in relation to debt. As we explain in section 6.9, this takes into account all components of the Business Plan including Ofwat’s early view on the allowed return on capital and is consistent with maintaining target credit ratings at least two notches above the minimum of the investment grade. We have set out clearly the steps to provide assurance, including considering financial ratios, in [A5 – Risk and Return](#) (NES06).

6.9

- First economics provide [assurance](#) (NES69) in relation to our approach to testing financeability of the Business Plan and the allowed return.

We provide assurance that the actual company is financially resilient over the 2025-30 period and beyond under our Business Plan. We set out the steps we took to make this statement in [A5 – Risk and Return](#) (NES06).

We provide assurance that our engagement and research meets the standards for high-quality research, and has been used to inform our Business Plan and long-term delivery strategy.

6.10

- The [Water Forum Customer Engagement Panel](#) (NES46) has challenged the overall quality and ambition of our Business Plan.

On the 19th of September the full NWL Board met and reviewed the assurance work on our Business Plan, and unanimously approved the Business Plan.

This statement has been approved by the full Board of NWL.

ANDY HUNTER (Chair)



H L KAM



DUNCAN MACRAE



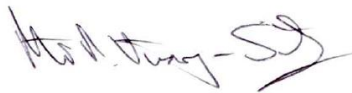
DOMINIC CHAN



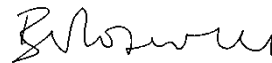
ALAN BRYCE



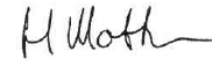
PETER VICARY-SMITH



BRIDGET ROSEWELL



HEIDI MOTTRAM



RICHARD SEXTON



JACQUIE McGLADE



9. MEETING OFWAT REQUIREMENTS FOR AN ACCESSIBLE AND CLEAR PLAN

Chapter 10 of [Ofwat’s methodology](#) sets expectations for company Business Plans and narrative. In this section, we explain how we meet these expectations.

We agree with Ofwat’s objectives for clarity and transparency for stakeholders. We are required to provide a very large amount of information to explain how we have met all of the requirements, often at a level of detail that only very few of our stakeholders will understand. This means that a Business Plan that attempts to include all of this information risks either being inaccessible to most readers, or not providing the detail that technical assessors need.

That is why we kept our main Business Plan document more focused and more accessible than at PR19. This narrative explains our plans succinctly and summarises how we will meet Ofwat’s key PR24 ambitions (to focus on the long-term; to deliver greater environmental and social value; to reflect a clearer understanding of customers and communities; and to drive improvements through efficiency and innovation).

We have provided a [guide to reading the plan](#) (NES80) which provides hyperlinks to all of our documents. Throughout our Business Plan, we have included hyperlinks and refer to documents using the required referencing system (for example, this document is **NES03**).

Our Business Plan includes eight appendices, which summarise the evidence Ofwat needs to examine each topic in turn. These are needed to explain these topics in sufficient depth to meet the quality and ambition assessment criteria and to explain the evidence and processes we needed to be confident in our Business Plan (and so provide Board assurance). We have structured these appendices to broadly align with the Ofwat QAA assessment, to make this as easy as possible for assessors, and have included tables at the front of each appendix to explain where each of the QAA criteria are discussed.

TABLE 12: TESTING AGAINST OFWAT REQUIREMENTS

Requirement	Our plan
Convincing main Business Plan limited to 300 pages	Our Business Plan (NES01) provides a shortform version of the plan of c.50 pages.
Guide to reading the plan with hyperlinks	Our guide to reading the plan (NES80)
Clear cross-referencing	Document labels, coding and hyperlinks (as set out in our guide to reading the plan , NES80)
Clear succinct commentaries in 12 separate PDF documents	Documents NES_COM1 to NES_COM12

Overall limit to the number of documents (80)	We have submitted 74 documents, as well as our Business Plan tables/models, commentaries, and long-term delivery strategy (which are excluded).
Limit of 30MB per document	No documents more than 30MB
Searchable PDF format for most documents	We have used this throughout, with links from tables of contents too.
Filenames, for example, NES01	We have complied with this format and have applied a similar filename format to evidence documents we have not submitted.
No video files	We have not submitted any video files.
All the relevant data and information	We have provided this (see Section 7 on data assurance).
Publication	We have published the Business Plan documents in full.
