

# **DEVELOPER SERVICES CHARGING ARRANGEMENTS 2023/24**

Board Statement of Assurance

## **NORTHUMBRIAN WATER LIMITED**

### **BOARD STATEMENT OF ASSURANCE FOR DEVELOPER SERVICES CHARGING ARRANGEMENTS CHARGES 2023/24**

The Northumbrian Water Limited (NWL) Board has overseen the development of the charges for 2023/24.

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

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

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

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

#### **Governance and Assurance**

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

- The Charging and Markets Leadership Group (CMLG) is a sub-group of the Executive Leadership Team (ELT) and discusses charging issues and the annual charge setting process for NWL, in addition to promoting and monitoring market arrangements across NWL. The CMLG is chaired by the Chief Financial Officer and includes the Customer Director, the Regulation & Assurance Director and the Corporate Affairs Director along with senior managers from various disciplines within the business. The group met several times in the year to discuss charging policy, external markets, strategy and governance. Any significant decisions and matters arising have been reported to the ELT and, as required, to the Board.
- Our Developer Services, Regulation and Finance teams met regularly to review our approach to the setting of charges.
- Consultation was carried out with stakeholders (more information is available in our Statement of Significant Changes in Charges for New Connections and New Developments).
- Our Internal Audit team have reviewed the charges calculation methodology, including the recalculation of a sample of charges, and found no areas of concern.

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

#### **Development of charges**

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

# DEVELOPMENT OF CHARGES

2022											2023
Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan
Agree charges setting and Assurance timetable	CMLG meeting	Developer Services Charges planning	CMLG meeting	RWG Consultation on tariff simplification	CMLG meeting		CMLG meeting	Consult with CCW re indicative primary wholesale charges	Communications planning for potential bill increases	CMLG meeting	Internal audit assurance
							Update NWL Audit Committee noting governance and Assurance processes for 23/24 charges	Internal audit assurance	Response to Ofwat non-statutory consultation on Charging Rules and Innovation to support affordability	Final November indexation published	Update Board with final charges
							Update NWL Board with draft charges for 2023/24	Ofwat publish draft determination of in-period ODIs and consult	Ofwat issue final determination of in-period ODIs	Communications planning for potential bill increases	Consult with CCW regarding final charges and handling strategies
							Ofwat non-statutory consultation on Charging Rules and Innovation to support affordability	Publish indicative primary wholesale charges		Notify Ofwat of early indication of bill increases	Notify Ofwat of average and typical bill increases
							Communications planning for potential bill increases	Communications planning for potential bill increases		Developer Services consultation sessions	Finalise and publish tariffs and associated documents in accordance with Ofwat timetable

## **Consultations**

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

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

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

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

We have published a Statement of Significant Changes in Charges for New Connections and New Developments which can be found via the links above. This statement comprehensively highlights the effects of the new 2023/24 charges on typical developments and incorporates worked examples.

## **Handling strategies**

When considering the impact of increased charges on customers, we have in previous years implemented strategies to phase in cost increases over time. After further analysis of cost and incomes, and in response to a general increase in costs (driven by inflationary pressures) over the past year we have opted to introduce some costs immediately in order to achieve cost reflective and stable charges.

We are conscious of the impact that increased charges can have on customers however we also must take into account that phased increases can result in delaying necessary cost increases, that may become more significant the longer they are delayed.

Given the current environment of rising costs and volatile inflation, this move from a phased strategy was adopted to avoid a situation where costs would have to increase more drastically in future years.

We have opted to phase in increases to our infrastructure charges with the aim of reaching a stable, predictable charge level, while allowing customers time to adapt to this increased cost. In line with Ofwat guidance, infrastructure charges have been set with the aim of recovering network reinforcement costs over a rolling 5-year period, affording us greater flexibility to phase these charges as compared to other costs.

## **Maintaining the balance of charges**

In setting our prices for 2023/24 we have reviewed the overall balance of charges compared to those from before 1 April 2018 and have confirmed that the balance is broadly maintained.

We have maintained our approach to the setting of infrastructure charges to recover network reinforcement costs over a five-year forecast period. We have reassessed our forecast of water network reinforcement requirements and determined that, we will need to increase water infrastructure charges to fund the forecast reinforcement up to 31 March 2028. Further increases in water infrastructure charges will be required in both areas of supply and we have indicated this to customers in written correspondence, published on our website and in customer engagement events.

We have also reviewed the forecast of network reinforcement expenditure that is anticipated on our wastewater network and propose to reduce our wastewater infrastructure charges, applicable to the Northumbrian area for 2023/24.

**Summary**

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

- i. NWL's charges for 2023/24, as set out in its Charging Arrangements, comply with our obligations relating to the charging rules;
- ii. NWL has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements, and additional information, is accurate; and
- iii. NWL has explained how the present balance of charges between developers and other customers is broadly maintained.

**Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board**

A handwritten signature in black ink that reads "Michael Porter". The signature is written in a cursive, flowing style.

**MICHAEL PORTER**  
Chief Financial Officer