

BOARD STATEMENT OF ASSURANCE

The Board of Northumbrian Water Limited (NWL) has overseen the development of the indicative primary wholesale charges for 2019/20. The governance arrangements and assurance processes which have been applied to the development of these charges are summarised below.

- The charges setting process falls within our robust Quality and Environmental Management System which reflects the implementation of a number of quality standards in the business including ISO 9001. These quality processes are subject to internal audits and external accreditation.
- A specific quality assurance procedure sets out the process to be followed in setting charges each year, and is reviewed annually to ensure that any necessary changes to the approval process are incorporated.
- The NWL Internal Audit department has reviewed our assessment of compliance and confirmed that input data from Company systems and the calculation of allowed revenues are robust.
- The Charges Steering Group (CSG), comprising a sub-group of the Executive Leadership Team and senior managers, met several times to discuss charging policy, strategy and governance.

The charges have been developed through the following process:

- February 2018 – The CSG agreed the 2019/20 agenda items for consideration and the assurance approach. Progress of the Developer Services charging review was discussed following the publication of the new Charging Arrangements. NAV charging was also discussed and it was decided to publish a separate 'Bulk Charges for NAVs' document for transparency however final guidance from Ofwat is awaited. A detailed update was given regarding the progress of the non-household market.
- April 2018 – NAV charging and the non-household market continue to dominate discussions.
- June 2018 – A Focus tariff workshop was held with a sub-group of the CSG.
- June 2018 – the CSG discussed the final guidance issued by Ofwat relating to Bulk Charges for NAVs. The CSG was presented with the early indication of the WRFIM position for the year ended 31 March 2018 and how this impacts on the charges setting for 2019/20.
- July 2018 – The CSG approved the Statement of Significant Change to Charges for publication.
- August 2018 – The CSG discussed the wholesale non-household charges structure. The inclusivity strategy was also discussed. A project was agreed to undertake a review of the vacancy status for non-household premises in the market.
- August 2018 – The NWL Audit Committee was given an update as to the charges for 2019/20.
- September 2018 - NWL engaged an independent firm of accountants to test certain elements of the logical operation of a financial model prepared to generate proposed charges.
- September 2018 – The NWL Board were given an update as to the indicative charges for 2019/20. Delegated authority was given to the Finance Director to sign the Board Assurance Statement and the final non-household primary charges to then be approved by an Executive Committee prior to publication.

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

- NWL's indicative primary wholesale charges for 2019/20 comply with our legal obligations;
- We have assessed the effects the new charges have on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and can confirm that there are no instances where bill increases to licensees exceed 5%;
- NWL has appropriate systems and processes in place (including up-to-date models and data) to make sure that the information published about wholesale charges is accurate; and
- NWL has consulted CCWater on charging proposals for 2019/20 charges and has taken into account its feedback, as appropriate.

Signed on behalf of the NORTHUMBRIAN WATER LIMITED Board



CHRIS JOHNS
Finance Director