NORTHUMBRIAN WATER LIMITED ANNUAL PERFORMANCE REPORT

For year ended 31 March 2025

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IMPROVING THE ENVIRONMENT:

- We help to improve the quality of rivers and coastal waters for the benefit of people, the environment and wildlife
- We take care to protect and improve the environment in everything we do, leading by example

BUILDING SUCCESSFUL ECONOMIES IN OUR REGIONS:

- We are proud to support our communities by giving time and resources to their important causes
- We work in partnership with companies and organisations to achieve the goals that are most important to our customers

BOARD STATEMENT – OUR PURPOSE, VISION, AND PERFORMANCE

For most of our customers, we are the sole provider of vital water and wastewater services. The Board acknowledges the substantial responsibilities that arise from that and the need to consistently work towards meeting the high standards rightfully expected of our Company.

In our Business Plan for 2025-30, we committed to delivering NWL's largest ever investment programme, which will further improve environmental outcomes and the high standards and services we already deliver to customers.

Following submission of our Business Plan, the government introduced the Water (Special Measures) Act 2025 and launched the most extensive review of the sector since privatisation.

Despite the uncertain legal and regulatory environment, we remain committed to continuing our drive to be the national leader in sustainable water and wastewater services and to delivering unrivalled service to our customers and other stakeholders, now and into the future.

The Board's Statement of our Purpose and our Vision, and the values which underpin our approach, show our firm commitment to achieving this vision. Being a purpose-led organisation has helped us deliver the best levels of customer service in the sector, alongside high levels of trust, and a strong track record for protecting and enhancing the environment.

Our Purpose sets out our objective of investing prudently and operating efficiently, to provide the essential services our communities rely on for the long term. In the last year we have established an Environment Social and Governance (ESG) Board Committee and in December 2024 we completed the update of our Articles of Association by inserting a new article that not only aligns with regulatory expectations but reflects our commitment to operating as a socially and environmentally responsible company. The updated Articles, which follow BCorp best practice, is the culmination of work carried out by our Board and Executive Leadership Team over the last five years to develop, embed, and report on our company Purpose.

For many years we have calculated senior remuneration applying a clear methodology which reflects how we perform for our customers and the environment and applies stretching targets. In November 2024 Ofwat assessed all water companies against its expectations for performance-related executive pay (PRP). Consistent with our vision to be national leader, Ofwat's report highlighted our approach to using stretching targets as an example of good practice in the water sector. We were the only water and sewage company that Ofwat considered had met its expectations in making sure that PRP reflects overall performance delivered for customers and the environment, such that no adjustments were required to our PRP. Building on our good governance in this area, our Remuneration Committee are currently considering the implications of the Water (Special Measures) Act 2025.

We are pleased that Ofwat has agreed our financial settlement of £15.7m which brings its wastewater compliance investigation to a close. This investment will be directed into speeding up our storm overflow reduction plans and in meaningful local initiatives via our Branch Out fund, and will come entirely from Northumbrian Water shareholders and will not be paid for by customers' bills. This will enhance our ongoing efforts to support local communities and protect and improve the natural environment here in the North East.

Performance

Our Chief Executive Officer, Heidi Mottram, describes in her Review the progress made in the fifth year of delivering our 2020-25 Business Plan and our performance delivered against the commitments we have made in it.

I am pleased to share that we continue to demonstrate strong performance across various key areas. Notably, we are delighted to be the top company for the water industry measure for customer experience. Our performance and our commitment to open engagement with all stakeholder groups has earned us the distinction of being one of the Top 2 most trusted water companies in England and Wales. We are further recognised for our transparent, customer-centric approach and good governance by the Institute of Customer Service and Ethisphere.

We are also the industry leader in minimising water supply interruptions and have made significant strides on key environmental issues that matter to our customers. We have met our end of period leakage targets in NW and ESW. innovative efforts to reduce the use of storm overflows have started to yield positive results, with a 12% reduction delivered in 2024. Additionally, we have successfully reduced internal and external sewer flooding and any repeat occurrences.

However, we must also acknowledge the challenges that increasingly stringent legislation poses to our current levels of performance. We were disappointed to not hit our targets on discharge compliance and category 3 (minor) pollutions. Our management team remains focused on exceeding these new performance expectations and delivering the highest standards of service to our customers.

Alongside the activities to deliver against our 2024/25 targets, we have built strong foundations for our Business Plan for 2025-30, which is our boldest plan to-date, and addresses key environmental challenges, improves resilience and services to customers, delivers fair investment and supports customers by addressing affordability.

We work hard to make sure our customers' preferences inform the delivery and design of our services, and so our business plan focuses on what matters most to customers and communities. It was clear from our detailed and extensive work with customers that they share our ambitions to improve the environment, and they were concerned about bill rises and affordability given the current cost of living pressures. The final plan was supported by 74% of customers, indicating a high level of support for our proposed activity.

In December 2024, we received our Final Determination (FD) from Ofwat on our Business Plan for 2025-30 and we were pleased that they judged it as 'high quality'.

However, Ofwat has arrived at a FD for NWL that strikes the wrong balance between the need for investment and the pressure on bills. By rejecting our £180m request for asset health investment, the FD underfunds the necessary resilience of our assets and also prevents us from responding to climate change, for example ruling out back up generation at sewage treatment works, increasing the risk of serious pollution incidents.

We must address the asset health and climate change challenges now to avoid future service disruptions and increased costs to our customers. Maintaining the health of our water and sewerage network assets is fundamental to providing reliable, safe, and sustainable services.

While we are mindful of any impact on customers in this challenging economic environment, accepting the decision would carry the unacceptable risk of us being unable to deliver the outcomes our customers have told us they want during 2025-30 and beyond. The regulatory framework must balance driving efficiency and service improvements with ensuring the sector's investability.

Consequently, and as a measure of last resort, on 18 February 2025 the Board requested Ofwat to refer the FD to the Competition and Markets Authority (CMA) for redetermination. While the outcome of the redetermination won't be known until March 2026 at the latest, we believe NWL will still likely have the lowest water and wastewater average bills in the sector, even incorporating any CMA changes.

Looking ahead

The ongoing CMA process will not affect our commitment to deliver for customers. The performance of NWL is reliant on the continued engagement, initiative, and hard work of our people. I would like to extend my heartfelt gratitude to all our employees for their focus on delivering excellence throughout this year.

Our teams have already laid the groundwork to make a strong start to 2025-30 by bringing forward investments and forging strong supply chain partnerships in our Living Water Enterprise.

Our 2025-30 plans centre on growth in our capital programme, but also include enhancements to our operational efficiency, embracing cutting-edge technologies, and nurturing our culture of continuous improvement. We continue to operate successfully in the context of a challenging and uncertain regulatory and legal environment and the Board works closely with NWL management to understand and address risks and maximise opportunities to meet increasing expectations.

Achieving the ambitious goals we have set will require a shared vision and collaboration with government, regulators, stakeholders, and partners, and in this respect, we welcome the Commission led by Sir Jon Cunliffe and his efforts to establish a long-term vision for the water industry with clear outcomes. We look forward to working closely with the government as it implements recommendations from this very important review.

A J Hunter, Chairman

CEO'S WELCOME

We are a purpose-led business, and I am proud to be part of a company that is truly committed to its vision of being the national leader in sustainable water and wastewater services. Our ambitious vision guides our plans and actions to deliver exceptional service for our customers and protect the wider environment.

Guided by what matters most to our customers, we use a clear set of measures to keep pushing ourselves further. Our ambitious goals for 2020-25 were meticulously crafted based on extensive customer research and we measure our performance using a balanced scorecard which focuses on the things customers tell us are most important; a clean, clear and reliable supply of water and great customer service, as well as caring for the environment and being a good citizen in our communities.

We're committed to keeping both our employees and customers safe, while also making sure this is a great place to work. We're also proud to offer the lowest average bills in the country - ensuring our services remain affordable while maintaining high standards.

I am delighted to report that we have once again achieved a significant majority of the stretching targets set out in our balanced scorecard. This includes being industry-leading for customer service and at the forefront for other areas such as leakage in our water-stressed ESW area, supply interruptions, serious pollution incidents and internal sewer flooding. However, we remain vigilant and continually challenge ourselves to go further, investing heavily and working diligently to uphold our track record for protecting and enhancing the environment.

Our people and the communities we serve

We're proud to be one of the UK's most trusted water companies, with a long-standing reputation built on strong partnerships with the communities we serve. Our work is made possible through strong partnerships with local authorities, NGOs, and community groups, enabling us to co-create solutions that deliver long-term environmental and lasting social value.

We have again been named by Ethisphere as one of the World's Most Ethical Companies for the 14th time and are the only UK water company on the list. We have built strong partnerships with our supply chain and local communities and have continued to ensure that more than 60p of every £1 we spend is with local suppliers, ensuring we have a supply chain that helps uphold our social, economic, and environmental standards.

In the community, we've continued to support environmental projects through our Bluespaces and Branch Out programmes, and through Community Funds and our colleague sponsorship programme, helping hundreds of causes across the communities we serve. In addition, more than half of our colleagues volunteered through our Just an Hour scheme, supporting more than 700 charities and completing over 2,700 community activities.

None of these achievements would be possible without the right people, with the right skills, in the right culture, enabled to deliver customer-focused business objectives and thrive in an evolving world of work. I am immensely proud of the work that my colleagues do every day, often in difficult circumstances, to ensure that our customers have reliable and affordable water and wastewater services. It is of utmost importance that their work is carried out to the highest standards of health and safety practices so that every colleague and contractor goes home safe every day.

Customer

We retain our focus on delivering unrivalled customer experiences and we are delighted to be the number one company for C-Mex again. Our strong policies and procedures make sure our colleagues have the right mix of skills, experience, training and accreditation to deliver a world class service for our customers, for now and in the future. This was recognised by the Institute of Customer Service awarding us their ServiceMark.

We have similarly seen pleasing performance in the D-MeX metric, which measures the experience of our developer customers. This can be partly attributed to improvements we have made to connect our customer processes, making it easier to manage the end to end developer experience. In preparation for the new BR-Mex measure, which aims to capture the experience of retailers of water services, we have recruited a BR-Mex lead and established a cross-business group to focus on continuous improvement and improvements to data quality.

I am incredibly pleased that we have continued to make significant strides in reducing sewer flooding, achieving all of our targets and delivering significant improvements for our customers. Over the past five years we have delivered a 69% reduction in internal sewer flooding, and we are now a leading company in this area.

Alongside delivering exceptional service, we remain focused on affordability. Our customers benefit from the lowest bills in the country, and we continue to expand our support for those facing financial hardship.

Environment

Our role in protecting the environment remains a core part of our Purpose. We have had no major pollution incidents for the third successive year, seen a reduction in storm overflow spills and have made good progress towards our carbon net-zero goals. Our Environment Strategy sets out our commitment to help restore and regenerate our natural environment and there are many examples throughout this report of how we are working in partnership to enhance biodiversity on our landholdings or as part of our investment projects.

We are increasingly turning to nature-based solutions to address environmental challenges. From wetland restoration to sustainable drainage systems, these initiatives not only enhance biodiversity but also improve water quality and resilience. Our partnerships with local conservation groups and environmental NGOs have been instrumental in delivering these outcomes, and we continue to invest in collaborative projects that regenerate natural habitats across our region.

We have already reduced the number of spills from our sewer network and we continue to focus on driving this number down. I am particularly excited by our pioneering smart sewers project, which uses artificial intelligence (AI) and sensors to manage wastewater flow in real-time across our network with the aim of reducing spills. This is an example of our innovation culture, which is also demonstrated through our internationally renowned annual Innovation Festival, our successful engagement with Ofwat's Innovation Fund, and other projects such as our world leading research into new wastewater treatment processes.

However, we have faced challenges with increasing storms and bad weather and tightening environmental standards. We are disappointed to have missed our targets on discharge permit compliance and minor pollutions. We recognise our performance needs to be better and in response we have developed a tactical improvement plan including increased investment, which I review on a weekly basis, and I'm pleased that we're already seeing significant improvements as a result.

Water

We continue to be one of the leading companies for minimising interruptions to supply, ensuring fewer customers are without supply over longer periods of time. Climate change in the form of storms and subsequent network power outages continues to affect our ability to ensure continuous supply to our customers. We were disappointed to see that Ofwat did not fully approve our proposed plans to reduce power outages in our Business Plan for 2025-30.

Over AMP7 we successfully reduced leakage in both our water stressed area of ESW and in the North East, achieving our regulatory targets for the end of 2020-25. Leakage levels in ESW are comparable to the best in Europe and we continue to drive for further improvements utilising technologies as wide ranging as AI analytics to optimise operational activity, NoDig solutions for fixing leaks and 'LeakBot' devices to detect household leakage. We also recently reached a milestone of 100,000 smart meter installations which will help us to spot customer leaks faster and support customers to use less water.

However, we are disappointed to have failed CRI, a water quality measure, once again. Our efforts to improve this important measure continue and over the past year we have sought to deploy new technology to increase the pace of improvement, for example by introducing the use of generative AI to optimise our water treatment works. While this approach is in its early stages, we expect that it will lead to better compliance and substantial cost savings ultimately benefitting our customers by ensuring reliable and high-quality water supply while keeping costs down.

Looking forward

Our Business Plan for 2025-30 was founded on the areas that matter most to our customers and committed us to significant environmental improvements and improvements in water supply resilience. This achieved a careful balance between the largest investment programme the company has ever undertaken, while at the same time maintaining affordable bills for our customers, which remain the lowest in the sector.

Our Board Statement on page 5 explains our reasons for seeking a redetermination from the CMA, but we have ensured that our work to improve our assets and services over the next five years is not delayed. We hit the ground running on AMP8 (2025-30), starting early, building capacity by engaging a strong supply chain and bringing in great talent to ensure we have the capability to meet the demands of this significant capital programme. With strong foundations in place we are focused and ready for the challenges ahead.

I was particularly pleased with the success of our Building Futures graduate scheme, which has recruited two cohorts of graduates, including a significant number of females and from diverse range of ethnic backgrounds. Securing the culture of our organisation and our collective sense of our Purpose is critical to our success as we grow. While delivering £3.6 billion of investment across our water and wastewater assets is a significant challenge, we have made great progress establishing the foundations and are driving hard to hit the ground running. We are proud that our customers continue to benefit from the lowest average bills in the sector. Affordability remains a cornerstone of our strategy, and we are committed to supporting those who need help the most. Our financial assistance programmes, including payment matching, social tariffs, and tailored support services, have helped thousands of households manage their bills and stay connected.

My team and I feel confident and well prepared for the challenges and opportunities in the coming years, both in the operational and in the regulatory environment. We know that there is more work to do to improve our performance across areas like water quality and discharge permit compliance, but we are building from a position of strength in many areas. The high levels of trust that our customers place in us is exemplified in consistently industry leading customer service across our water and wastewater activities. These scores reflect the reality of the service that our customers experience, even when things don't always go to plan, and I am grateful for everything that our people do and the caring way they do it, every day and in all weathers.

H Mottram

H Mottram CBE (CEO)

WATER FORUM STATEMENT

Each year, members of the Water Forum (NWL's Independent Challenge Group) review, discuss and take the time to understand the company's results against the promises made to its customers in the business plan agreed with the regulator Ofwat.

The last 12 months have been turbulent ones in the sector and, as we know, its future shape is under review. Nonetheless, whatever the outcomes of the Independent Water Commission later this year, the fundamentals will continue to be front and centre of what customers need from their water company:

- Providing a reliable supply of clean, clear drinking water,
- An effective sewerage service,
- Caring for the environment
- Caring for those who need support to pay their bills, and
- Great service when customers get in touch.

Our review looks back at the Company's performance in the fifth and final year of the 2020-2025 business plan, covering the 12 months to the end of March 2025. We encourage customers to look across all five years' results to get a clear picture of how Northumbrian Water has delivered against its promises made back in 2020.

Water Poverty – affordable and inclusive services

We are pleased that NWL once again exceeded its promises for all three measures of its Priority Services Register, a service that is available by all water companies to customers in vulnerable circumstances. We are also pleased to see that the 89% satisfaction levels of customers who get financial support was ahead of target for the fifth year running.

Achieving a breakthrough in raising levels of customers' awareness of additional financial and non-financial support available remained stubbornly elusive last year. This measure was intended to support the company's vision to 'eradicate water poverty by 2030', an ambition that we fully supported. Regrettably, around 1 in 7 households now face water poverty compared to 1 in 10 five years ago. As we have noted in previous years, it is not just water bills that these households struggle to pay, so the key to getting support to where it is needed is to build partnerships with and knowledge among the local and national organisations who those in poverty reach out to for support.

This is an area that the Water Forum will continue to challenge NWL on in the year ahead, as the company strives to raise awareness about how its services can be more affordable and inclusive.

Unrivalled customer experience

It is good news that after having come third last year, NWL achieved the top spot in the industry for Ofwat's measure of customer experience that the water companies deliver. Noting that this is against the backdrop of a downward trend in public trust in the sector, 8 in 10 customers are positive about the experience they have with NWL, in general or when they get in touch with billing enquiries or operational issues.

The issue of response time to written complaints, on the other hand, is an area that the Water Forum will put the spotlight on in the coming year, because resolving complaints plays a major part in customer satisfaction. We will 'deep dive' into the subject, to understand the issues that are causing NWL to take over 7 days (on average) to respond, against a target of 2 days; and to provide challenge to their plans for improving performance.

Reliable supply of water

There are many positive achievements to note in this aspect of NWL's performance over the past year. Leakage levels in both regions hit their targets; significantly fewer households experienced long periods of time (over 12 hours) without water on tap; and the company was quicker to resolve issues that cause interruptions to supply lasting longer than 3 hours.

Fixing visible leaks is, of course, very important to customers and a key part of the broader picture of encouraging the public to consume less water where possible. We are pleased that NWL continues to be innovative about ways to quickly spot and then fix these leaks. The number of so-called 'freeze-thaw' weather events that the country is experiencing as the climate changes means innovations are key to staying on top of leakage and more are needed.

Reducing the amount of water the nation uses is an important, long-term challenge, so we urge NWL to learn from other water companies who have been more successful in reducing their per capita consumption metric (PCC). We do acknowledge that the pandemic caused a permanent shift in where customers consume their water, with more people being at home more of the time; and that the target against which the Company is being measured was set before that time. There is perhaps more insight to be gleaned from the actual PCC numbers, where we observe that NWL delivered very little improvement in 2025 compared to 2024. This is an area we will explore in more detail with the Company in the coming year, because we believe there is more that can be done to raise the public's awareness of the importance of everyone playing their part in reducing consumption.

Improving the environment and climate change resilience

We congratulate NWL on its successes in environmental measures: for the fifth year running it successfully delivered its part of the Water Industry National Environment Programme; the commitment to and performance in water environment improvements is clear, and an excellent example of how to involve customers in improving their local natural environment; and a further reduction in greenhouse gas emissions, that means the company far exceeded the target it set out five years ago to achieve.

There were more pollution incidents in total last year. We acknowledge that this in part reflects the fact that the Environment Agency (EA) category 1-3 rating now has a tighter description of 'exceptional circumstances' such that fewer incidents are discounted due to severe weather because climate change means they are no longer exceptional. Notwithstanding this change, we are disappointed in and concerned about the results and will stay very close to this issue in the coming years. We will pay keen attention to the progress NWL makes against the actions described in its pollution incident reduction plan, which the EA will be monitoring.

About three-quarters of incidents are related to pumping stations and sewage treatment works, so these need to be a particular focus in the coming year. We acknowledge that having a reliable power supply is key and urge NWL to learn from the many other organisations that have invested in their own power resilience solutions.

An effective sewerage service

NWL's met all its performance targets for the sewerage services last year, which is an was excellent result. There have been some exciting developments in the use of artificial intelligence (AI) too, so the Water Forum is keen to see the impact of this smart technology in the coming years too.

This is just one of many innovations and new technologies that NWL has invested in, and which are benefitting both customers and business efficiency. Given the time these projects take to roll out and become embedded, their impacts may not yet even be reflected in the performance statistics in this report, so customers should reap their full benefits in many ways over the next few years.

In conclusion

This is the last performance report against NWL's 2020-2025 business plan. Stepping back and reflecting on the whole five-year period, it's clear that in some aspects of its delivery the company was strong and ahead of target throughout – greenhouse gas emissions, internal and repeat sewer flooding, and the taste and smell of its water to name a few.

Others, such as unplanned outages at water treatment works have improved gradually to achieve target by the fifth year; and some targets have not once been achieved – such as visible leak repair time and awareness of financial and non-financial support that's available for customers in need.

We do believe that NWL is a company that constantly strives for improvement and to be trusted by its customers, so there is much it can learn from its performance since 2020 and the activity and decisions that have underpinned this performance.

For issues that have proven tough to achieve a breakthrough, we suggest there is merit in NWL undertaking some early bespoke consumer research to inform its future activity. In particular, to get insights into how to raise awareness of financial help to those who qualify, and how best to persuade customers to reduce their water consumption.

The Water Forum will endeavour to provide insights too – and constructive challenge – on these specific matters, on NWL's promises made to customers in the new business plan for 2025-2030, and on any new, emerging issues from the water industry's evolution.

Robert Light, Water Forum Chair

WHO WE ARE

Northumbrian Water Limited provides:

- Water and wastewater services to 2.7 million people in North East England, trading as Northumbrian Water, and
- Water services to 1.8 million people in Essex and 0.3 million people in Suffolk, trading as Essex & Suffolk Water.

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 VISION

Our Vision is to be the national leader in the provision of sustainable water and wastewater services.

OUR VALUES

As important as what we do is how we do it. Our Values define how we work to deliver our Outcomes and achieve our Vision.

CUSTOMER FOCUSED

We aim to exceed the expectations of our external and internal customers.

RESULTS-DRIVEN

We take personal responsibility for achieving excellent business results.

ETHICAL

We are open and honest in meeting our commitments, with a responsible approach to the environment and our communities.

INNOVATIVE

We continuously strive for innovation and better ways to deliver our business.

ONE TEAM

We work together consistently, promoting co-operation, to achieve our corporate objectives.

THE OUTCOMES WE AIM TO DELIVER IN 2020-25

UNRIVALLED CUSTOMER EXPERIENCE:

- Our customers tell us we provide excellent customer service and resolve issues quickly.
- Our customers say they feel informed about the services we provide and the importance of water.
- Our customers say we are a company they trust.
- Our finances are sound, stable and achieve a fair balance between customers and investors.

AFFORDABLE AND INCLUSIVE SERVICES:

- Our customers say our services are good value for money and we work hard to keep water and wastewater services affordable for all.

RELIABLE AND RESILIENT SERVICES:

- We are resilient and provide clean drinking water and effective sewerage services; now, and for future generations.
- We always provide a reliable supply of water.
- Our drinking water is clean, clear and tastes good.
- Our sewerage service deals with sewage and heavy rainfall effectively.

LEADING IN INNOVATION:

- We are an innovative and efficient company.

IMPROVING THE ENVIRONMENT:

- We help to improve the quality of rivers and coastal waters for the benefit of people, the environment and wildlife.
- We take care to protect and improve the environment in everything we do, leading by example.

BUILDING SUCCESSFUL ECONOMIES IN OUR REGIONS:

- We are proud to support our communities by giving time and resources to their important causes.
- We work in partnership with companies and organisations to achieve the goals that are most important to our customers.

ASSURANCE SUMMARY

Within this Annual Performance Report, we publish a range of information about our services and performance, including how we're performing against the commitments we made in our 2020-25 Business Plan. This helps to provide our customers and stakeholders with assurance that we're delivering what they've told us they need and want from us.
It's important that we have robust assurance arrangements to make sure this information is accurate, clear, and transparent.

We focus a significant proportion of assurance activity on making sure that the information we publish in our Annual Performance Report is of appropriate quality. We've published a [Data Assurance Statement]() alongside this Annual Performance Report. This details how we decide what level of assurance should be applied to our data (i.e. who should provide the assurance), and whether this has been completed during the year.

Our Board carefully reviews reports from both internal and external assurance teams throughout the year and in particular prior to signing the statement on Accuracy and Completeness which can be found on page 115. We also require additional focus and extra scrutiny when required in specific areas, for example for 2024/25 this has focused on leakage reporting, especially in light of Ofwat's recent findings at other companies.

In a number of areas Ofwat has set out specific assurance requirements, and we signpost our responses to these below:

- RAG Compliance Checklists for seven metrics: In summary all reporting components for these measures are Green, with the exception of a small number of components for our Leakage NW and ESW and Per Capita Consumption measures – which we show does not have a material impact on the accuracy of our reported Leakage. Further information on which components and commentary can be found in our ODI Model Commentary document.
- External Assurance of Financial ODIS: We continue to ensure that performance against financial ODIs[1] in particular receives appropriate assurance – and take a risk based approach to determining which financial ODIs receive scrutiny from an external assurance provider[2] as opposed to by our internal audit team. As a result the majority of financial ODIs listed in tables 3a and 3b receive external assurance, with the exception of the following which are reviewed by our internal audit team:
    - Table 3a: Interruptions > 3h; mains repairs; Interruptions >12h; interruptions >1 and <3h; lead enhancement programme; smart metering enhancement programme; cyber resilience enhancement programme
    - Table 3b: Internal sewer flooding; sewer collapses; sewer blockages; external flooding; repeat flooding; WINEP delivery.
- PWC has performed an independent limited assurance engagement over select non-financial datapoints reported to Ofwat. More information can be found in PwC's Independent Limited Assurance report in the [Data Assurance Statement](). Assurance has also been provided by other specialist providers as set out below:

[1] In this context by Financial ODIs we mean those listed in tables 3a and 3b – which excludes C-Mex and D-Mex.
[2] As agreed with Ofwat by email on 8 January 2024

    - Third Party Assurance Reports for Specific Investment Schemes: For AMP7 schemes these have been compiled by Jacobs and are referenced for Water Resilience (page 50), Wastewater Resilience (page 54) and Howdon Resilience (page 55). For AMP8 accelerated schemes these can be found at page 56.
    - Greenhouse Gases: As required we provide a separate report to provide independent verification – conducted by 3rd party Achilles that our GHG PC reporting is compliant with ISO14064-1. In relation to our broader emissions reporting we provide a table of Strengths, opportunities, Weaknesses and Threats. (see page 94)
    - Water Environment Improvements: Full details of 3rd party checks conducted by our Water Environment Governance Group are provided on page 96, with links to further supporting information.
- Specific requirements for CMEX, DMEX and PSR: These can be found on pages 26, 29, and 44. These include confirmation that we have had the required number of communication channels for CMEX and the additional checks we have undertaken on DMEX performance.

TRANSPARENCY AND OPEN DATA

In the past 12 months we have made much progress against our own open data strategy and our work as lead entrant for the Stream initiative. We have published an updated open data strategy, which includes a review of our progress, along with an indication of our roadmap for the year ahead. We have also ensured other linked business strategies include and support open data. Our updated open data strategy can be found here.

We are making good progress publishing data in line with the commonly agreed use cases and datasets prioritised by the Stream community although our resources have often been stretched by prioritising support to the ongoing development and financial sustainability of the initiative along with leading other sector-wide work, such as the development and sign off for the sector Open Data Strategy. We have also been heavily involved in designing and running sector events such as Open Data Day, held for the first time in March 2025.

We were among a handful of water companies who shared data and subject matter expertise to support the three hackathon events which ran through the Open Data Day week (Wessex Water, UK Maths student study group and Northumbria University). As well as providing financial sponsorship for the Northumbria University hack, we also supported the event in-person, with members from our data and analytics team giving up their weekend to attend and support the students. The event was a success for all concerned and we will look for more opportunities to do this again in the future.

Following Open Data Day, we also elected to publish the EDM event history data we shared at the event on open licence. As this has been a dataset much in demand, we were happy to lead the way. We have also since been in discussion with a modelling provider to support their use of this data in order to generate value.

We have started working closer with our Environmental Information Regulation team to identify commonly requested datasets and have recently conducted a workshop to assess how to streamline the delivery of published data.

Our priorities for 2025 are to publish more commonly requested EIR datasets and to continue to publish data in line with Stream prioritised use cases.

We will continue in our lead role as co-chair for Stream and provide working group and pillar champion volunteers. We have volunteered for the ecosystem pillar champ role for three consecutive quarters so far. In this role we have been busy building connections within the broader data ecosystem and finding use case opportunities for the sector. Click here to read our updated Open Data Strategy.

INTRODUCTION

This report summarises our performance against our Outcomes during the regulatory year ending 31 March 2025. This is the final year of delivery for our 2020-25 Business Plan. As of 2025 we commence the delivery of our 2025-30 Business Plan.

Our drive to be the best is supported by six strategic themes: Unrivalled customer experience; affordable and inclusive services; leading in innovation; reliable and resilient services; improving the environment and building successful economies in our regions. Our Outcomes are aligned to these themes and set out what we aim to achieve. They represent what our customers have told us they value in the long-term as we developed our business plan for the current 2020-25 period. They are our commitments, or promises, to our customers.

Our 14 Outcomes were developed with our customers and stakeholders. Everything we do is driven by an Outcome for our customers.

To track performance against our Outcomes we have clear metrics with associated targets – our Performance Commitments (PCs). For delivering better performance in certain measures, we could earn a financial reward. Conversely, poor performance in certain measures could incur a financial penalty. These rewards and penalties are called Outcome Delivery Incentives (ODIs). Some of our performance measures are simply reputational, which means that they do not incur financial penalties or rewards.

This performance report sets out the work that we are doing to deliver our 2020-25 PCs along with our progress towards the longer-term goals which we've set.

The report provides extended commentary for tables 3A to 3I, which is a summary of our performance against our PCs that we must provide for our regulator (Ofwat) every year.

We measure our performance and calculate any penalties or rewards using the methodology in our PR19 Final Determination, along with any subsequent amends set out in the CMA's recent redetermination.

Further information about our performance is available on our website www.nwg.co.uk. For information about how we are performing in comparison to other water and sewerage companies, visit www.discoverwater.co.uk.

OUR ANNUAL PERFORMANCE AT A GLANCE

We show figures in green where we've met our performance against our promise this year, and red where we have not met our performance. Similarly, any applicable rewards are shown in green and penalties in red.

Comparators used in the final column are UQ (our performance is at least as good as the best 25% of companies), ABOVE AV (our performance is better than the average across the industry), BELOW AV (our performance is worse than the average of the industry), LQ (our performance is in the worst 25% of the industry).

For further details about reasons for performance and our plans for improving, please see the detailed section for each PC later in this document.

MEASURE OF SUCCESS	COMMON / BESPOKE	OUR TARGET FOR 2024/25	OUR PERFORMANCE							FULL PERIOD 2020-25
			2020/21 ACHIEVED	2021/22 ACHIEVED	2022/23 ACHIEVED	2023/24 ACHIEVED	2024/25 ACHIEVED	REWARD / PENALTY	COMPARATIVE POSITION	REWARD/ PENALTY
Ofwat's Customer Measure of Experience (C-MeX)	C	Top two	85.76 (3rd)	84.46 (2nd)	83.74 (1st)	81.40 (3rd)	80.29 (1st)	£3.175m (TBC)	1st	£14.791m
Response time to written complaints	B	2 days	7.1 days	9.97 days	7.93 days	7.26 days	8.36 days	n/a	n/a	n/a
Ofwat's Developer Services Measure of Experience (D-MeX)	C	Top two	86.94 (7th)	88.56 (5th)	89.85(6th)	91.30 (2nd)	91.91 (3rd, 2nd WASC)	£0.638m (TBC)	3rd (2nd WASC)	£2.838m
Customers' perception of trust (independent survey)	B	8.8	8.8	8.7	8.5	8.2	8.0	n/a	n/a	n/a
NWL independent value for money survey	B	8.5	8.3	8.2	8.2	7.9	7.6	n/a	n/a	n/a
Percentage of households in water poverty	B	6.32%	10.38%	9.61%	15.27%	14.79%	13.78%	n/a	n/a	n/a
Awareness of additional financial support	B	65%	41%	38%	41.5%	43%	44%	n/a	n/a	n/a
Satisfaction of customers who receive additional financial support	B	8.8	9.3	9.2	9.2	8.9	8.9	n/a	n/a	n/a
Awareness of additional non-financial support	B	65%	50%	45.0%	45.3%	43%	49%	n/a	n/a	n/a
Satisfaction of customers who receive additional non-financial support	B	8.8	8.7	8.7	8.5	8.4	8.6	n/a	n/a	n/a
Priority services for customers in vulnerable circumstances – PSR Reach/ Actual contact/ Attempted contact	C	10% / 35% / 90%	2.3% / 57.3% / 40%	3.5% / 40.2% / 93.4%	8.8% / 44% / 90.3%	10.5% 50.9% 91.1%	13.2% 40.6% 94.2%	n/a	UQ / LQ / LQ	n/a

MEASURE OF SUCCESS	COMMON / BESPOKE	OUR TARGET FOR 2024/25	OUR PERFORMANCE							FULL PERIOD 2020-25
			2020/21 ACHIEVED	2021/22 ACHIEVED	2022/23 ACHIEVED	2023/24 ACHIEVED	2024/25 ACHIEVED	REWARD / PENALTY	COMPARATIVE POSITION	REWARD/ PENALTY
British Standards Institute Award for Inclusive Services	B	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	n/a	n/a	n/a
Voids	B	4.21%	3.74%	3.53%	3.39%	3.29%	3.42%	£1.333m	n/a	£6.664m
Gap sites	B	95%	67.5%	64.3%	59.1%	65.5%	66.7%	n/a	n/a	n/a
Risk of severe restrictions in a drought (% of customers)	C	0%	0%	0%	0%	0%	0%	n/a	1st=	n/a
Per Capita Consumption (PCC) (litres/person/day 3 year average)	C	5.3% reduction	3.8% increase to 156.3 litres	4.7% increase to 157.7 litres	5.6% increase to 159.1 litres	2.7% increase to 154.7 l/p/d.	1.4% increase to 152.7 l/p/d	-£1.129m	Worse than LQ	-£3.564m
Unplanned outages at Water Treatment Works	C	2.34%	5.69%	4.57%	3.51%	2.89%	1.95%	£0	AVG	£0
Interruptions to supply between one and three hours (mm:ss)	B	90% of baseline 07:27	n/a	87.9%	124.2%	95.2% (07:53)	105.1% of baseline (08:35)	-£1.399m	n/a	-£3.871m
Water supply interruptions greater than three hours (mm:ss)	C	5 minutes	4 mins 4 sec	5 mins 51 sec	8 mins 17 sec	5 mins 32 sec	4mins 40 sec	£0.347m	UQ	-£2.106m
Interruptions to supply greater than 12 hours (properties)	B	400	143	917	448	1,067	223	£0.586m	n/a	-£8.719m
Leakage (ESW)* (MLD 3-year average)	C	14.1% reduction	0.5% reduction to 64.9MLD	3.2% reduction to 63.1 MLD	7.5% reduction to 60.3 MLD	15.3% reduction to 55.2 Ml/d	17.6% reduction to 53.7 MLD	£0.354m	UQ	£0.703m
Leakage (NW)* (MLD 3-year average)	C	12% reduction	1% increase to 136.2 MLD	0.1% reduction to 134.7 MLD	3.7% reduction to 129.8 MLD	8.7% reduction to 123.1 Ml/d	12.0% reduction to 118.6 MLD	£0	UQ - AVG	-£1.768m
Visible Leak repair time (average days)	B	4	9.7	6.7	7.1	4.5	5.8	-£0.77m	n/a	-£1.037m
Mains repairs (per 1,000km main)	C	123.4	127.0	110.9	154.9	109.4	122.6 (Actual 3,239)	£0.078m	below AVG	£2.410m
Abstraction Incentive Mechanism (AIM)	B	0	n/a	n/a	n/a	n/a	n/a	£0	n/a	£0
Water quality compliance (CRI)	C	0	7.11	6.36	7.62	3.45	10.94	-£11.152m	LQ	-£35.254m
Event Risk Index (ERI)	B	10.800	197.592	289.699	166.907	137.891	323.100	-£0.278m	n/a	-£0.490m

MEASURE OF SUCCESS	COMMON / BESPOKE	OUR TARGET FOR 2024/25	OUR PERFORMANCE							FULL PERIOD 2020-25
			2020/21 ACHIEVED	2021/22 ACHIEVED	2022/23 ACHIEVED	2023/24 ACHIEVED	2024/25 ACHIEVED	REWARD / PENALTY	COMPARATIVE POSITION	REWARD/ PENALTY
Discoloured water contacts (per 10,000 population)	B	7.44	8.22	8.42	7.85	6.88 (3131 actual)	7.18 (3,282 actual)	£0.228m	n/a	£5.567m
Taste and smell contacts (per 10,000 population)	B	2.02	1.75	1.89	1.75	1.70 (776 actual)	1.73 (789 actual)	£0.255m	n/a	£1.265m
Internal sewer flooding (per 10,000 connections)	C	1.34	1.89	1.84	1.21	1.21 (159 actual)	1.03 (136)	£0.479m	Better than UQ (2nd)	£0.933m
Repeat sewer flooding	B	37	25	23	20	24	20	£0.937m	n/a	£5.290m
External sewer flooding	B	2,647	3,862	3,454	3,018	2,764	2,431	£0.931m	n/a	-£3.571m
Risk of sewer flooding in a storm	C	22%	16.11%	16.11%	16.11%	16.11%	16.11%	n/a	LQ	n/a
Sewer blockages	B	10,600	12,023	11,991	10,949	9,733	9,020	£1.232m	n/a	£0.847m
Sewer collapses (per 1,000km of sewers)	C	8.13	9.82	8.71	9.29	8.39	7.33 (222 actual)	£0	AVG	£0m
Treatment works discharge compliance	C	100%	99.51%	98.03%	98.52%	98.54% (3 STW fails)	97.21% (7 fails)	-£1.069m	Lower than LQ	-£2.210m
Bathing water compliance (no. Of sites achieving good or excellent)	B	97.06%	n/a	97.06% (33 of 34 sites including 1 exemption)	97.06% (33 of 34 sites including 1 exemption)	94.12% (32/34)	94.29% (33/35)	-£0.690m	n/a	-£1.422m
Pollution incidents (per 10,000km of sewers) [3]	C	19.50	14.61	22.98 (69)	19.98 (60)	32.97 (99 incidents)	38.97 (117 incidents)	-£7.107m	AVG	-£6.875m
Water Industry National Environment Programme (WINEP)	B	657	0	347	447*	549	681	£0m	n/a	£0m
Delivery of WINEP requirements	B	Met	Met	Met	Met	Met	Met	n/a	n/a	n/a
Water environment improvements	B	10 km	30.2 km	34.6km	33.1km	31.9km	118.3km	£0.832m	n/a	£1.521m

[3] As reported by the Environment Agency, and described further in our data assurance summary.

MEASURE OF SUCCESS	COMMON / BESPOKE	OUR TARGET FOR 2024/25	OUR PERFORMANCE							FULL PERIOD 2020-25
			2020/21 ACHIEVED	2021/22 ACHIEVED	2022/23 ACHIEVED	2023/24 ACHIEVED	2024/25 ACHIEVED	REWARD / PENALTY	COMPARATIVE POSITION	REWARD/ PENALTY
Greenhouse gas emissions (tCO2e reduction from 2019/20 baseline)	B	9,110	15,235	46,492	45,182	49,307	52,374.35	£8.09m	n/a	£32.674m
Bioresources	B	100%	100%	100%	100%	100%	100%	n/a	n/a	n/a

We have achieved or surpassed 31 out of our 50 PCs in 2024/25, an increase from 29 in 2023/24.

The table above shows we earned rewards for 14 of these achievements, excluding the final confirmation of C-MEX and D-MEX rewards.

We accrued penalties for not meeting 8 of our PCs this year and did not achieve 8 of our reputational only PCs. We acknowledge areas where we fell short of our intended goals and have clear performance improvement plans in place.

Headlines include:

- We are delighted to have achieved the number one position for C-MEX, along with 3rd place in D-MEX. We are also pleased that in CCW's Water Matters report for 2025, Northumbrian Water been ranked as the second most trusted water and sewerage company (WaSC) in England and Essex & Suffolk Water as the second most trusted water only company.

- The cost of living crisis, stubbornly higher interest rates and inflation has continued to push more people into water poverty, and as a result we have not been able to hit our industry leading target in this area. Alongside this we need to improve customers' awareness of the help the company may be able to provide to those customers that need it, with reference to both financial and non-financial assistance. A positive note is the satisfaction of our customers that receive the financial assistance, indicating the help from the company is providing an impact for those that need it.

- We continue to achieve all three targets in relation to supporting customers in vulnerable circumstances through our Priority Services Register (PSR) – having further increased the reach of our PSR in 2024/25.

- Trust levels continue to be lower for all companies, linked closely public concerns about the environment and the tone of associated political commentary and media coverage in relation to the water sector. We continue to compare favourably to other companies with CCW assessing Northumbrian Water as the second most trusted water and sewerage company, and Essex & Suffolk Water as the second most trusted water only company in 2025[4].

- We have scored poorly against our water compliance metric (CRI), incurring the maximum penalty available. We remain committed to improving compliance and reducing our score. We are working closely with the DWI and are prioritising short term and long term plans to ensure we can improve our performance not just now but also in the long term. Despite this we continue to see good performance against customer satisfaction with their water quality, with the number of appearance and taste and smell contacts from customers lower than the targets set.

- We continue to be one of the leading WASCs for supply interruptions over three hours, ahead of the target set. We were also able to outperform our measure for interruptions over 12 hours, ensuring fewer customers are without supply over longer periods of time. Climate change in the form of storms, and subsequent network power outages continue to affect our ability to ensure continuous supply to our customers. We were disappointed to see that Ofwat did not fully approve our proposed plans to reduce the power outages in AMP8.

- We successfully reduced leakage in our water stressed area of ESW by more than our target across the reporting period, whilst also achieving our target of 118.6 MLD in the North.

- We are proud of the reductions to flooding to customer's properties over the reporting period, in particular, internal and external flooding in 2024/25 was the lowest in the period. Since 2019/20 we have implemented a number of interventions which has seen internal sewer flooding reduced by 69% and external sewer flooding by 35%. In relation to internal sewer flooding, we are now one of the leading companies. Performance was supported by our best figures in the reporting period, in 2024/25 for blockages, which is a known cause of sewer flooding.

- We fully recognise the level of public concern with regards to the environmental impact of the sector as a whole, and the operation of Storm Overflows in particular. We remain committed to our ambition to have the best rivers and beaches in the country and have updated our Vision for Coasts and Rivers with latest progress against the pledges we have made, which includes reducing 2024 spills by 12% compared to the previous year. Our Business Plan for 2025-30 proposes almost £1bn of investment to reduce spills further. We are pleased that Ofwat has

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accepted our investment offer in order to bring its wastewater compliance investigation to a close, and continue to cooperate fully with the EA's equivalent investigation.

- We have seen a continued increase in the number of category 3 pollution events reported (in line with the industry as a whole). While we are pleased to see that none of the pollutions reported this year were in the serious categories (1 or 2), there are still too many category three pollutions occurring. A significant impact has come from a number of storms this year, accounting for over 50% of the pollutions. We expect this trend to continue with climate change and subsequent power outages. We noted to Ofwat in our Business Plan for 2025-30 that companies in the North are more likely to be affected by power outages as power is typically transmitted above ground, rather than underground (in the South). Despite this, Ofwat did not approve our full plan for funding to reduce the impact of outages.

- We are disappointed to see our performance for treatment works compliance this year at 96.6% - resulting from seven failures split across our water and wastewater sites. We have undertaken analysis to understand what went wrong. As part of this we created the WATCH list, which stands for Wastewater Assessment for Treatment Compliance and Hazards, and allows us to prioritise sites which need additional interventions to prevent compliance failures. As a result of this we have either made adjustments or have these planned in our capital plan for resolution. We have also committed an additional £1.68m to speed up the delivery of key measures identified in our tactical plan to improve performance.

- We continue to have a high level of bathing waters with EA agreed categorisation of "excellent" or "good". This year we again achieved 33 bathing waters at "excellent" or "good". However we missed our target proportion (97.06% based on 33 out of 34) of those bathing waters in these categories due to a new bathing water approved by the EA for this year. This bathing water at Littlehaven, South Shields is categorised as "Poor", meaning that we obtain 33 out of a possible 35, lowering our score to 94.29%.

- We are continuing to invest to meet our commitments however the cost allowances we were given in the last price reset have proven to be insufficient given input cost inflation. Across the sector almost every company has had to spend more than its allowances. Over the course of the five year period we have spent c.£516m beyond our allowed costs, on wholesale and retail services, with the greatest portion, c.£324m, being funded by our shareholders.

- In addition to the commitments outlined in the table above, we have PCs to make sure we deliver additional investments for customers by 2025 including: Smart metering, Lead Pipe Replacement, Delivery of our water and wastewater resilience programmes, Howdon Sewage Treatment Works Expansion and Cyber Resilience. We encountered some setbacks early in the 2020-25 period during the Covid-19 pandemic, with some of the investment schemes starting later than originally planned. In addition, global supply chain issues, manufacturing problems and component shortages have also delayed our smart metering programme and limited access to customer's homes during Covid also hampered the lead project. Despite these challenges we have delivered our Cyber, Lead and Wastewater Resilience programmes in full, along with vast majority of our substantial Water Resilience programme (with only minor delays on the remainder). Despite early setbacks we have delivered 89% of our Smart Metering Programme (and funding for the remaining 11% will be returned to customers). Our improvements at Howdon STW are proving challenging, and will be delivered later than originally planned.

OUR 2024/25 PERFORMANCE IN DETAIL

Some of the measures are ‘common’ across the water industry and some are ‘bespoke’ to us. This is flagged next to each measure.

THEME ONE: UNRIVALLED CUSTOMER EXPERIENCE

OUTCOME 1: our customers tell us we provide excellent customer service and resolve issues quickly

AMBITIOUS GOAL: Deliver world class customer service

Our performance commitments for this Outcome are as follows:

- **Ofwat’s Customer Measure of Experience (C-MeX)** – this is an industry comparative measure, defined by Ofwat. As such, the ranking position is more relevant to report on as opposed to the absolute score. (Reference **PR19NES_COM01**)
- **Response time to written complaints** – this is a bespoke PC introduced for 2020-25 in response to our customers telling us that the speed with which we respond to complaints was more important to them than minimising incidents. This measure uses CCW’s definition of a written complaint, which covers complaints via post, email, web, or fax that are responded to within the reporting year. (Reference **PR19NES_BES03**)
- **Ofwat’s Developer Services Measure of Experience (D-MeX)** – this is a financial common PC for developer customers looking at performance against a range of Water UK metrics (quantitative score), as well as levels of customer satisfaction (qualitative score). (Reference **PR19NES_COM02**)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Ofwat’s Customer Measure of Experience (C-MeX)	Top two	85.76 (3rd)	84.46 (2nd)	83.74 (1st)	81.40 (3rd)	80.29 (1st)	£3.175m TBC	1st
Response time to written complaints	2 days	7.1 days	9.97 days	7.93 days	7.26 days	8.36 days	n/a	n/a
Ofwat’s Developer Services Measure of Experience (D-MeX)	Top two	86.94 (7th)	88.56 (5th)	89.85(6th)	91.30 (Top 2)	91.91 (3rd, 2nd WASC)	£0.638m	3rd (2nd WASC)

Customer Measure of Experience (C-MeX)

Our ambition is to be in the top two companies for C-MeX, the industry-wide measure that provides a holistic comparison of companies' customer satisfaction (CSS) and customer experience (CES) performance. This 'top two' target is also reflected in our employee and management incentives.

We are delighted to have finished in 1st place overall for C-MEX in 2024/25 after being in 3rd place last year. This is the second time in the five-year period that we have been ranked in 1st position, and we have achieved our target of 'Top 2' three times in period, as well as always being in the top three positions.

We are incredibly proud of this consistent high performance across the 2020-25 period as it speaks of both our commitment to putting our customers at the heart of what we do through our unrivalled customer experience strategy, and of our customer-centric culture where doing the right thing for our customers is enacted every day by our people who take real pride in looking after our customers.

The table below shows our industry ranking for CSS, CES and overall C-MeX across the year

2024/25 YTD	CSS	CES	Overall C-MEX
Q1	3rd	6th	1st
Q2	3rd	3rd	1st
Q3	2nd	3rd	2nd
Q4	**1st**	3rd	1st
OVERALL	**1st**	3rd	1st

Achieving such consistently high performance across the year – being first in Quarters 1, 2 and 4, and coming in the Top 3 in Quarter 3 – shows not only the relentless focus we place on delivering for our customers but also our ambition to be unrivalled.

Our strategy across the AMP has been to focus on getting things right first time, quickly, every time – and we have worked hard across all our service delivery areas to refine and improve both the ways we work and the things we do so we that we achieve it.

We know that our customers really value this and that they expect us to be consistently great. Leaning into how we can enhance our consistency of delivery has been a critical enabler of performance this year with considerable effort placed on continuously improving performance in areas where this would positively affect customers' experiences.

Our strategic investment both in our new customer experience management platform – partnering with Medallia, a global leader in this field – and our overall data insight and analytics approach, really helped us leverage positive impact from our data points and especially from customer feedback. Building on our knowledge of the things that customers value most and find most impactful to satisfaction, we developed some key 'early warning' signals that gave us the opportunity to better understand customer effort and pain points, and so step-in to reduce them and close the loop on journeys in a positive way. We have completed our first phase of investment and have an exciting roadmap of opportunities which we are committed to exploring as we move forward and continue to drive up experiences for our customers and restore trust in the sector.

For our Billing teams, where we have the highest number of contacts each month, being able to use signals, predictive analytics and AI to complement our empathic approach to engaging with customers has been a strong influencer of performance. We were pleased to perform in the upper quartile for industry and are committed to further building on this performance.

In our Water teams we drove campaigns centred on creating and implementing new ways of working that followed repeat patterns each week and month so that the regular drumbeat of communication, reviews, applying learning, and using data to make the best decisions engineered out variance and increased consistency and confidence. We know that this systematic approach really boosted our performance here, and we scored top for the Water element of CSS for the first time in 5 years.

Similarly, in our Wastewater teams we applied learning and used data-led insights to really hone in on the service improvements that would bring us the biggest benefits in terms of delivering for our customers. We made changes to our organisational design, unlocking enhanced performance opportunities, and we worked hard to refine journeys and further improve our historically strong performance in this area – again ranking first in industry for this element of CSS.

Across all our operational areas we continually strive to blend intuitive and frictionless digital experiences with empathic and emotionally intelligent human interactions in order to reach our goal to be unrivalled. We are never complacent and our passion and curiosity to improve keep us focused on driving forward.

In the small number of cases where complaints are received, we continue to take a 'phone first' approach and encourage our people to use their EQ and passion for service excellence to talk openly with our customers before following up in writing if we need to.

This makes things quicker, as well as ensuring we fully understand the things that are important in achieving full resolution and that they are onboard with how we propose to put things right. We have further cemented the robust cross-functional processes embedded in past years to make sure complaints are resolved to customers' satisfaction as swiftly and consistently as possible.

This continues to include a series of regular review meetings with our customer, water, wastewater, and billing teams as well as our enabling teams – like digital, training, marketing, and comms etc. – really cementing our 'one-team' approach to delivering unrivalled customer experiences.

We know that the media landscape that surrounds the water industry continues to be challenging and so to help us protect our reputation and build trust – both of which are measured through CES – we have worked hard to demonstrate how we act as a 'good neighbour' in the communities where we work and invest. We have worked hard to share value-adding integrated marketing communication campaigns that inform and support customers, and we have also invested heavily in our digital experiences and products so our customers can more easily access and engage with us on their terms and at times and through channels they choose to use.

We have also worked hard to strengthen our communications strategies and in particular our approach to events and incidents so our customers can feel confident in how we'll engage with them and the things we'll do to help them if it's needed.

As part of our C-MeX strategy, we also sought external validation of our approach to and ambition in providing our customers with unrivalled experiences and we were delighted to be awarded ServiceMark accreditation by the Institute of Customer Service. ServiceMark is a national standard that independently recognises an organisation's commitment to providing excellent customer service and its ongoing efforts to upholding those high standards. It also looks closely at the service culture of organisations, so we were particularly pleased to be accredited with this standard. We also received TrainingMark accreditation for the third consecutive year, being the first water company in England to hold both simultaneously, underlining our drive to be the best.

We've offered at least five contact channels throughout the year, and at least three of them were digital. Examples of our channels include voice, automated interactive voice response (IVR), email, webform, website, app, social media, and messaging and WhatsApp.

CASE STUDY: C-MEX HIGH RISK/EARLY WARNING SYSTEM

Challenge

We aimed to improve our C-MeX score and reduce customer complaints by better managing high-risk customer journeys. Our goal was to identify and intercept these journeys daily, ensuring that customers received timely and effective support.

Action

We introduced a high-risk/early warning system that provides more relevant, real-time data to our case managers. The new report includes metrics such as the number of times a customer has contacted us, the length of their journey, and the type of issue they are reporting. These measures accurately predict risk and rank customers using a red, amber, or green status. This enables our case managers to focus on customers who pose the most risk of giving a low C-MeX score if surveyed.

The system also gives us confidence that we have already intercepted high-risk customers, reducing the number of interventions needed during a C-MeX survey week. This allows our case managers to focus on lower-ranked customers who we may be able to turn from passives to promoters, benefiting our overall C-MeX scores.

Impact

We can now take swifter service recovery actions when things go wrong, ensuring that customers are case managed until their issues are fully resolved. This proactive approach has resulted in higher promoter scores in recent quarterly surveys for Waste, Billing, and Water, from customers who were intercepted via the daily risk report.

One notable example is a customer who had contacted us several times about an outstanding reinstatement. This case was picked up off the report, and our case managers were able to get the work completed the next day. Overall, we hope to see an improvement of more than 0.10 points in our C-MeX scores, which is incredibly valuable given the competitive nature of the industry.

Response time to written complaints (days)

We have not achieved our target and have seen a slight decrease on the previous year's performance.

We set our PC to two working days for 2020-25 because we felt that challenging ourselves to respond to customers quickly and communicate clearly about how we would take ownership of issues to resolve them would encourage greater cross-team working and drive new and creative ways of problem-solving. Working in this 'one-team' way has helped us to improve our customer experience overall and we have learned that whilst customers do of course value timely and clear communication, getting the right resolution at first stage and being holistic in our approach is just as important, and that can sometimes take time.

Most complaints we receive are complex and require in-depth investigations and/or further work to resolve the issue – this can be the case across billing, water and wastewater categories.

We have seen an increase in billing complaints in relation to debt and charging periods, which can be very detailed and so take longer to investigate. Alongside this, we have seen an impact to our numbers, and so too complaint handling times, following introduction of our agreement to bill on behalf of Anglian Water in our southern operating region as customers receive first bills and adjust to new billing arrangements.

Similarly, more complaints about complex water service issues – including private supplies and customer side leaks – and wider operational matters like smart metering installations have merited in depth investigation before we can resolve them.

Our response time to wastewater complaints is poorer than that of water and billing complaints because these issues are largely more complex and take longer to fully investigate and resolve. This applies mainly to sewer flooding investigations.

While we are disappointed to not achieve our target, we are confident that we continue to work with our customers to resolve issues to their satisfaction. Customers give good feedback in terms of how we resolve their issues, and they are complimentary when they do speak to us. They also tell us that if we keep them informed, they are happy for resolution to take that little bit longer to achieve the best outcome. We have seen evidence that the services we provide are well perceived both through our result as top performing company for C-MeX and our strong performance in CCW's Water Matters results, as well as our own insights.

Just 3.35% of complaints were escalated to the second stage of our complaint process, with more than 96% resolved without the need for a second review.

Written complaints have increased by 40% compared to 2024/25 which has impacted response times. Our real-time complaints decreased by 22% during the same period, meaning that overall, our total complaints for 2024/25 increased by 13%.

Developer Experience (D-MeX)

We are currently 3rd in industry compared to 2nd for the previous year. In the current year there is only 0.53 points between 1st and 3rd place for the overall combined score. We currently have a qualitative score of 84.04 and a quantitative score of 99.78, giving a combined score of 91.91 compared to 92.18 the previous year. We expect to receive a financial reward once Ofwat has finalised the league table.

We have seen several failures this year where activities and actions are completed in multiple systems across the business and aren't integrated into Salesforce. We continue to focus on this and are developing the capability of our systems. We have introduced Salesforce to other teams who support the Developers journey. This will continue during 2025/26 where we aim to have the end-to-end customer journey in one system which will make the journey and interactions visible to all teams.

Business Retailer Experience Preparation (BR-MeX)

The new BRMex ODI comprises of a number of elements, half the new measure is the Business Measure of experience "BMex" which is a survey of customers who interact with us. A further 25% is "RMex" this is a survey of the retailers who work with asking them to rate the quality of the service they receive from us and the remaining 25% is a mixed of service performance measures and a property data quality assessment.

In preparation for this new measure, following the successful business model we have been operating for CMex and DMex we have recruited a BRmex lead to ensure we have improvement plans in place which are monitored closely and both forward looking and reactive to customer feedback trends. We have put in place a cross business BRMex group comprised of key stakeholders to ensure that all areas that can impact BRMex are focussed on delivery and that service and performance feedback is shared and areas of focus addressed. We are introducing an interim internal BMex measure to pick up any trends from business customers during the first part of 2025-26 as we do not expect formal BMex feedback until late August from the first quarter's survey.

For data quality we have engaged with external data experts from Eviden and Identeq on aligning data standards and validating data, in an automated process. We have recruited a data quality team to update and check data where automated processes are unable to fully verify.

Our Account managers are regularly meeting with retailers to improve relationships and ensure that any issues that might result in lower RMex survey scores are addressed before the bi-annua surveys of retailers.

Principles for customer care – compliance with Licence Condition G

Over the past year, we have conducted a comprehensive review of the requirements of the licence condition 'Principles for Customer Care' and are confident in our compliance.

We have two core strategies that align well with this licence condition. Our Unrivalled Customer Experience Strategy outlines our ambition and approach to customer service, including detailing how we provide multiple communication channels for customers. Additionally, our Inclusivity Strategy details how we serve vulnerable customers and engage with them and other stakeholders about our services and support, whether financial or otherwise.

The spirit of the Customer Focused Licence Condition is one of continuous improvement and learning. Over the past year, we have identified areas for improvement and taken steps to ensure we lead in this space.

Having refreshed our Customer Experience Strategy, we introduced a video learning suite to provide more information business wide. The suite of seven short ten-minute videos, is built around:

- Our Six Customer Priorities – These are the things our customers have told us matter most. They form the backbone of what we must focus on to give you unrivalled customer experiences.
- The Six Pillars of Customer Experience Excellence – Each pillar builds on the other to create world class experiences. They show how we must focus our energies and efforts to provide unrivalled experiences every time.

Each video focuses on one of the six pillars and uses real examples, tools and tips to bring them to life.

The video suite now forms part of our new starter induction pack, to help all new starters to understand and learn more about the importance of unrivalled customer experience within our business at the very beginning of their career. We also used our all-company roadshows in Autumn, which are led by our Executive Leadership Team, to again highlight the importance of our Pillars and Priorities, and give our people practical examples of how we bring them to life, alongside our Values, to provide unrivalled customer experiences. We know that maintaining our leading position in C-MeX will only happen if we continually communicate, learn – from ourselves and others – and use insights and learning to iterate and improve, so we will continue to share key messages on these important topics as part of our overarching commitment to continuous improvement.

Our Quality Assurance team continued to roll out our six Pillar of Customer Experience Excellence quality assurance programme. In doing so it became clear that although improvements were being made across all the pillars, empathy was consistently the lowest performing pillar across the Customer Directorate. As part of our improvement plans an empathy training module was created and delivered across the directorate. This consisted of three, twenty-minute sessions to explain what empathy was and how this could be applied to every customer interaction to improve the service we delivered to our customers by providing a more bespoke personalised service. Since rolling out our empathy training, we have seen our empathy scores increase by 18%.

We have further developed our Inclusivity Strategy and Policy, incorporating feedback from CCW on improving use of demographics to better understand our customers, and focusing on providing support to those are most at risk of detriment. The strategy will be published in June 2025.

Our Continuous Improvement team has reviewed key customer journeys, particularly focusing on high bill scenarios. We also reviewed all templated customer correspondence, including our collections, debt, leakage, and smart metering letter suites. This allowed us to make sure that we continue to provide customers with the right information at the right time. We paid particular attention to our tone of voice, making sure that each letter was easy to understand, and that key information was highlighted so customers are clear on the impacts and any actions they need to take.

We know that more and more of our customers are choosing to interact digitally with us and we have worked hard to ensure we provide frictionless and engaging digital experiences for all customers who choose to contact us this way – through either our web or app capability. We reviewed all web content and introduced more rigorous review cycles so that all information is regularly updated and so we have even more focus on sharing seasonally appropriate materials at key times throughout the year. More broadly, updates to the design of the homepage and navigation of our key customer websites have freshened the look and feel, opened up more opportunities to share key messages and signposting and have been made to drive key customer journeys more effectively These changes reflect not only research on website best practice but also customers' feedback and insight derived from our data analytics that show what customers most often search for and the pages they use most. We worked to ensure greater ease of navigation, so we continually enhance our digital experiences.

We have introduced more 'how to' videos onto our website allowing more customers to self-serve, without needing to talk to us. The animated videos are around three minutes long and cover a range of topics ranging from water quality issues to financial help if a customer is struggling to pay their bill. To ensure our videos meet the diverse needs of our customers, subtitles and scripts are available while watching the video if needed.

We embarked on the Shaw Trust accreditation journey and are also actively working to ensure all aspects of our customer websites meet Website Content Accessibility (WCAG) standards at AA level.

A schedule for reviewing core customer documents with CCW is now in place. Although the full review was not completed in 2024 as planned, due to ongoing work to enhance our policies as well as changes in GSS and publishing strategies, we are consolidating these into one core document to be published in 2025/26.

We have made it easier for customers to provide feedback on billing services by adding new pages to our websites and we added some bespoke pages during Annual Billing to ensure we communicated clearly to our customers about bills increasing, and why. We know this was seen as helpful by customers and from feedback received from CCW.

Our approaches to incident management are under continuous review as we learn from ourselves and others within the industry any beyond. We are reviewing our approach to customer communications during incidents to ensure it reflects best practices. Our new incident management page, highlighted by CCW as industry-leading, can be found on our websites.

We have introduced a volunteer register for all our colleagues. It captures their location, skills, and availability so we have a wide resource pool to call upon if an incident does occur. This can help us with maintaining water supplies, using our innovative MoWbi and ToWbis, with delivering alternative water supplies. We now also proactively deliver bottled water to our Priority Service Register customers in advance, if we know there is a risk to their supply. We have done this on a number of occasions where we were at risk of losing supply but, through hard work and a one-team approach, we were able to prevent any interruptions to supply. Customers have been appreciative of the proactive approach in providing bottled water before an actual incident, and we continue to work hard to balance and understand the best approaches here.

Our community engagement vehicles are being used to go to areas where an incident happens so that we have a very visible presence on the ground to communicate directly with our customers. We are also exploring the establishment of warm hubs for showering, toilets and providing refreshments where proportionate and appropriate.

Incident management training has taken place for 150 key managers and employees, and we have introduced a competency scheme for incident managers empowering them to take swift and appropriate decisions during different levels of incident.

We also have more detailed policies in place with respect to specific areas of customer support – a key example being to ensure customer care following sewer flooding incidents, where we have responded to Ofwat's recent information request in some detail.

We remain committed to continuous improvement and learning, and to ensuring that we meet and exceed the requirements of the Customer Focused Licence Condition.

OUTCOME 2: Our customers say they feel informed about the services we provide and the importance of water

AMBITIOUS GOAL: Give every single customer the opportunity to have a strong voice and engage with us, with at least 2m customers participating by 2025

We actively engage with our customers across multiple channels and formats, discussing a range of topics. These include our long-term strategies and recent water supply interruptions. We always seek feedback and offer opportunities for customers to share their views, helping us understand their priorities, wants, needs, and expectations.

- People Panels

We used People Panels as part of our PR24 customer research programme, to help shape the development of our Business Plan. Beyond the submission of the plan, we have continued to engage with our People Panels through quarterly sessions. We have four separate panels, consisting of household customers - Northumbrian, Essex, Suffolk, and Future Customers. Over time, as our panellists become more and more informed, we aim to recruit new customers onto our Panels, and bring them on the journey with us to shaping our future plans.

Topics we have covered with the Panels in 2024/25 include our AMP8 metering programme that includes compulsory smart metering for ESW, Ofwat's Draft Determination, communication methods and preferences to inform our Inclusivity Strategy and Unrivalled Customer Experience Strategy, and priorities for investment for the next 25 years to inform our Long-term strategy.

- Have Your Say online community

Our online forum that includes customers from both our NW and ESW operating areas. Our Customer Research & Engagement team uses the forum to keep customers informed and updated, and request feedback on topics are areas of interest from across the business.

Customers registered as members on Have Your Say have been able to provide feedback to influence changes on some of our digital tools, support with cognitive testing of surveys that are used in customer research programmes and participate in engaging conversations and debates.

- **Formal research, carried out by both our in-house research team, as well as conducted in collaboration with external market research partners**

Our formal research includes both in-house studies and collaborations with external market research partners. Internally, we've conducted research on compulsory metering, SMART customer letter testing, the Living Water Enterprise and our live storm overflows map. In June 2024, operational issues at the Otterburn Water Treatment Works led to water being transported by tanker to the Otterburn and Elsdon areas. We carried our research to better understand customers' experiences which highlighted the need for better communication and more timely updates during such events.

We also explored customer priorities through the Six Pillars of Customer Experience Excellence (Part 1) and examined water-related issues with Unpicking Water Matters. Externally, we've partnered on projects such as the AMP8 Metering Programme, the Post-DD Affordability & Acceptability Re-run, and further investigated customer priorities with the Six Pillars of Customer Experience Excellence (Part 2).

- **Our tracking programmes**

We run various research tracking programme to measure domestic customers' satisfaction and understand customer perception of the services we provide, and how we provide them. Our tracking programmes collect NPS, look at brand value and trust, and measure awareness of our extra help and support services. We also use these programmes to understand how people prefer to receive information and contact from us, and also how they would prefer to contact us.

We engage with stakeholders on NPS, brand values, trust, overall satisfaction and awareness of strategies and support services.

To track the success of our campaign activity, and measure awareness, we also engage though omnibus research.

We track and measure satisfaction with our additional support services through omnibus research – understanding how they became aware of the offering, levels of satisfaction, preferred methods of contact and whether they are provided with all of the information they need in order to feel informed.

Medallia – our Voice of the Customer platform

Our Voice of the Customer platform, Medallia, has transformed how we understand and act on customer feedback, helping us make better decisions and improve experiences.

We use five different survey types to gather feedback from customers at various touchpoints in their journey. This gives us valuable data that can be broken down by customer journey type, how they contacted us, and where they're based.

Our approach provides us with large-scale, actionable insights to improve customer experience. Since less than 1% of customers receive an official C-MeX survey, it's crucial that decisions based on this feedback benefit all our customers.

Face to face engagement in the community

We engage with our customers 'on their turf' with experiential marketing, data collection opportunities, grass-roots community engagement and most importantly, our wonderful people.

We have a range of kit that we attend public events with, such as our pop-up shops and Flo, our engagement vehicle. Our brilliant team of Customer Heroes educate and involve our customers using interactive and engaging activities, influencing behaviour change and raising awareness of our brand. You might see us at a food or music festival, or a local community coffee morning.

Having regular, meaningful conversations with our customers allows us to stay in touch with what they expect from us, and ensures our services are fit now and for the future.

Our focus over the last 12 months has been to increase our customers' awareness of our extra help and additional support services – sharing the benefits of being on the PSR and signing customers up where possible and helping to support customers access information about our reduced bills schemes – checking eligibility and assisting with requests there and then, where we are able to.

OUTCOME 3: our customers say we are a company they trust

Our performance commitment for this Outcome is as follows:

- **Customers' perception of trust (independent survey)** – this measure is the mean customer satisfaction score out of ten from our independent customer tracking survey. The survey engages 500 household customers each quarter. There are no financial incentives associated with this bespoke measure which is reputational only. (Reference **PR19NES_BES05**)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Customers' perception of trust (independent survey)	8.8	8.8	8.7	8.5	8.2	8.0	n/a	n/a

Customers' perception of trust (independent survey)

We have not achieved our target. Our trust score from our own independent survey has dropped to 8.0 from 8.2 in 2023, which is below our PC.

We are pleased that in CCW's Water Matters report for 2025, Northumbrian Water been ranked as the second most trusted water and sewerage company (WaSC) in England and Essex & Suffolk Water as the second most trusted water only company.

Despite overall trust scores for water companies falling, our trust scores are significantly higher than the industry average and in our Northumbrian Water operating area have increased since last year.

Trust in the sector reached a thirteen year low in 2024 which CCW reports largely stems from customers' concerns over companies' environmental performance. UKCSI (Customer Satisfaction Index) reported in Jan 2025 that customers are less likely than average to believe that organisations in the Utilities sector care about them as an individual. The average satisfaction with Energy companies is 71.0, a rise of 2.6 points compared to January 2024. By contrast, average customer satisfaction with Water companies fell by 2 points to 68.7.

We fully recognise the level of public concern with regards to the environmental impact of the sector, and the operation of Storm Overflows in particular, and acknowledge that delivering significant investment and improvement in this area is vital to improving trust scores. We remain committed to our ambition to have the best rivers and beaches in the country and have updated our Vision for Coasts and Rivers with latest progress against the pledges we have made

We are one of the top-ranking water companies in the UKCSI report with a score of 70.7, which is slightly above the average Utilities score of 70.

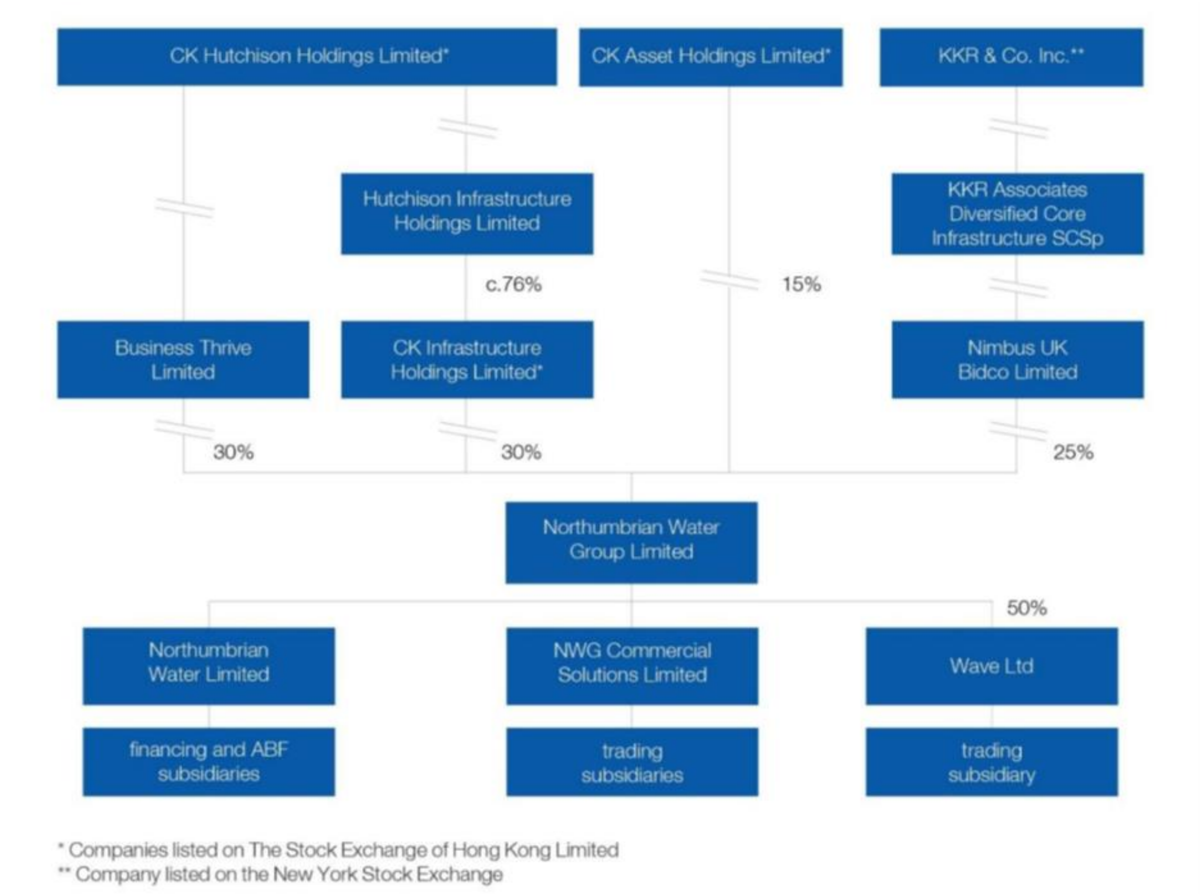
OUTCOME 4: Our finances are sound, stable and achieve a fair balance between customers and investors.

We have long term plans to allow us to operate our business sustainably and we manage our finances in the same way to make sure they remain sound and stable. It is important that we maintain a fair balance between our customers and investors to keep our customers' bills as low as possible while continuing to attract capital to help finance our operations and the investment necessary to maintain and enhance our assets. Striking this balance shows our customers they can have trust and confidence in us.

Financial structure and resilience

Like most companies, we are financed through a combination of money from shareholders, profits, and borrowings. NWL is a wholly owned subsidiary of Northumbrian Water Group Limited (NWGL), which is majority owned by companies in the CK Hutchison Holdings Limited (CKHH) group, based in Hong Kong, who are responsible and committed investors in our business. KKR & Co Inc, based in the USA, own a 25% shareholding in NWGL.

The chart below shows the summarised corporate structure of the Group. The chart shows the principal intermediate holding companies, which are wholly owned unless otherwise shown. CKHH, CK Infrastructure Holdings Limited (CKI), Business Thrive Limited, KKR & Co. Inc, KKR Associates Diversified Core Infrastructure SCS, Nimbus UK Bidco and NWGL have provided Ultimate Controller undertakings to the Company in accordance with the provisions of the Company's Instrument of Appointment (Licence).



Like any investors, our shareholders expect a return on the money they invested but these dividends are not guaranteed. Dividends are set in accordance with our dividend policy which takes account of business performance, outcomes for customers and financial resilience, remaining consistent with our investment grade credit ratings.

The Board places a strong focus on maintaining long term financial resilience. We maintain a detailed five-year plan that is updated regularly and formally reviewed by the Board annually. This is underpinned by a commitment to maintaining investment grade credit ratings, as assessed by independent credit rating agencies Moody's and Fitch.

The Board has assessed our long-term financial resilience over a ten-year period, covering the next two price review cycles. This included stress testing our plan against our most significant risks and uncertainties. The Board's assessment is set out in our long-term viability statement on page 109 of this report.

Customer bills

The revenue that we can charge to customers is set every five years through the regulatory price review process. We aim to keep our bills as low as possible while still allowing us to invest in sustainable and resilient services and allowing a reasonable return to our investors.

We operate and finance our business as efficiently as we can on behalf of our customers, and we share any efficiencies we make with them. We aim to be at the frontier of cost efficiency which benefits all water and sewerage customers in England because it drives the efficiency frontier, against which all companies are benchmarked, to new levels.

Customers benefit from sharing any efficiencies we make in each price review period on costs, financing and tax, resulting in lower future bills.

Our combined water and wastewater bills for 2025/26 remain the lowest in the industry and the increase in bills compared to 2024/25 was also the joint lowest.

Long term borrowings

Over the next five years we will be investing around £3 million each business day in maintaining and enhancing our asset base to improve services for our customers. This represents more than double the rate of investment over the previous five year period. The money we collect from customers through their bills is generally less than we need to fund this investment. The scale of this capital expenditure means that we need to supplement the money we receive each year from our customers through their bills by either seeking more investment from our shareholders (equity finance) or borrowing additional money (debt finance). The latter is cheaper for customers, helping to keep bills down, but without enough of the former our financial resilience as a business can become challenged. Our investment grade credit ratings and strong capital structure help us to obtain financing at competitive interest rates, making sure our financing costs stay as efficient as possible for customers whilst also ensuring that our gearing, the balance between equity and debt financing, is sufficient to ensure the long-term financial resilience of the business.

We borrow in a controlled and sustainable manner to make sure we can deliver substantial investment in our asset base without this leading to a significant increase in customer bills. We spread the financing cost of our investment and manage the borrowings over long periods of time. The rates at which we depreciate our investments reflect as far as possible the useful life of the assets we build or the 'natural rate'. This means both current and future customers help to pay their fair share for those investments. As a result, bills are more stable and sustainable for customers, with a fair balance of contributions between generations.

Our borrowings range from short-term working capital financing to long term bond issuance. The majority of our borrowings reflect a mix of fixed rate, providing stable interest costs, and inflation-linked, to match our inflation linked revenues. By maintaining a well-balanced debt portfolio, we can better manage risks of adverse movements in inflation and interest rates and minimise volatility on customer bills.

Our total borrowings at 31 March 2025 amounted to £4.3bn, as reported in Table 1E of this report.

Shareholder returns

Our shareholders have provided the necessary capital and financial backing required to run the business and in return they receive a dividend on the capital they have invested to reflect the risks that they are taking. The Board's dividend policy recognises the company's commitments to various stakeholders including customers, employees, pension scheme obligations and investors, and with due attention to maintaining appropriate levels of financial resilience within the company.

The policy aligns dividends to performance for customers and the environment, as well as taking into account longer term financial resilience and the underlying risk profile of the business. This means that the returns our shareholders receive are not guaranteed from one year to the next and can vary from year to year. There are many significant risks associated with the business and it is the shareholders rather than our customers who carry the weight of these risks.

The Board has not approved the payment of a dividend for 2024/25, reflecting the increased totex investment and considerations around the financial structure of the business and the level of equity returns in the PR24 Final Determination.

We make sure the dividends are set at a level which is sustainable, remains consistent with our investment grade credit ratings and allows us to reinvest into the business. Our dividend policy is described on page 158 of this report along with an explanation of how the directors have applied the policy in the year.

Taxes

Both NWL and our parent company, NWGL, are based in the UK and are subject to UK corporation tax. We are transparent about our tax arrangements and present our Tax Strategy on page 135 of this report, as well as our website. This sets out our responsible approach to tax matters, under the oversight of the Board and its Audit Committee, and our constructive relationship with HMRC.

Changes in tax legislation to encourage investment and promote growth have meant that, as a result of our significant capital investment programme, we do not expect to be required to pay any corporation tax over the next five years. This has been reflected in the PR24 price review process, helping to keep customer bills down.

[Our finances explained (nwg.co.uk)](nwg.co.uk)

THEME TWO: AFFORDABLE AND INCLUSIVE SERVICES

OUTCOME 5: Our customers say our services are good value for money and we work hard to keep water and wastewater services affordable for all

AMBITIOUS GOAL: Eradicate water poverty in our operating areas by 2030

Our performance commitments for this Outcome are as follows:

- NWL independent value for money survey – this measure is the mean customer satisfaction score out of ten from our independent customer tracking survey. The survey engages 500 household customers each quarter. There are no financial incentives associated with this bespoke measure which is reputational only. (Reference PR19NES_BES30)
- Percentage of households in water poverty – this is a non-financial bespoke measure. We were the first water company to set the goal to eradicate water poverty in our regions by 2030. Customers in water poverty are paying more than 3% of their net household income (after housing costs) on their water bill. (Reference PR19NES_BES06)
- Awareness of additional financial support – this bespoke PC measures customers' awareness of the additional financial support we offer. This includes both discounted bills and writing off customer arrears for eligible customers. We measure awareness in quarterly surveys with customers. (Reference PR19NES_BES02a)
- Satisfaction of customers who receive additional financial support – this bespoke, reputational only PC is designed to make sure we provide high quality financial support to household customers that are signed up to one of our affordability tariffs or WaterSure. The score is determined as an annual mean from telephone surveys, during which a total of 1,000 customers who are receiving financial support for either water arrears or ongoing charges are asked to rate their overall satisfaction with the services we provide. (Reference PR19NES_BES01a)
- Awareness of additional non-financial support – this bespoke PC measures customers' awareness of the non-financial services we offer as part of our Priority Services Register. (Reference PR19NES_BES02)
- Satisfaction of customers who receive additional non-financial support – this is a bespoke PC, which is reputational only. An independent market research provider has interviewed 1,000 customers to understand their satisfaction with the service they have received. (Reference PR19NES_BES01)
- Priority services for customers in vulnerable circumstances – this is a common, reputational PC. Its purpose is to ensure a minimum standard across all companies for the number of households registered on the Priority Service Register (PSR) and for PSR data checking. (Reference PR19NES_COM16)

  The PC has the following criteria:

- Reach of Priority Services Register: percentage of households that the company supplies with water and/or wastewater services that are registered on the company's PSR.
- Review of Priority Services Register: Actual contact: percentage of distinct households on the PSR that the company has contacted over a two-year period. Attempted contact: percentage of distinct households on the PSR that the company has attempted to contact over a two-year period.
- British Standards Institute Award for Inclusive Services – this is a bespoke PC and is reputational only. Our target is to maintain this award consistently. (Reference PR19NES_BES23)

- Percentage of void household properties – this is a bespoke measure, with financial incentives for both under and outperformance. It measures the percentage of properties which are registered but not billed. (Reference PR19NES_BES08)
- Gap sites – this PC is reputational only therefore no penalty or reward is payable. Gap sites are properties receiving water and/or wastewater that are unknown to us and not being billed. The number of gap sites cannot be measured directly as they are unknown to us hence the only way to assess gap site risk is by comparing our property data with third party information to look for differences. The PC measures the extent to which we have matched our own database with that of the Valuation Office. (Reference PR19NES_BES07)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
NWL independent value for money survey	8.5	8.3	8.2	8.2	7.9	7.6	n/a	n/a
Percentage of households in water poverty	6.32%	10.38%	9.61%	15.27%	14.79%	13.78%	n/a	n/a
Awareness of additional financial support	65%	41%	38%	41.5%	43%	44%	n/a	n/a
Satisfaction of customers who receive additional financial support	8.8	9.3	9.2	9.2	8.9	8.9	n/a	n/a
Awareness of additional non-financial support	65%	50%	45.0%	45.3%	43%	49%	n/a	n/a
Satisfaction of customers who receive additional non-financial support	8.8	8.7	8.7	8.5	8.4	8.6	n/a	n/a
Priority services for customers in vulnerable circumstances – PSR Reach/ Actual contact/ Attempted contact	10% / 35% / 90%	2.3% / 57.3% / 40%	3.5% / 40.2% / 93.4%	8.8% / 44% / 90.3%	10.5% 50.9% 91.1%	13.2% 40.6% 94.2%	n/a	UQ / LQ / LQ
British Standards Institute Award for Inclusive Services	Maintained	Maintained	Maintained	Maintained	Maintained	Maintained	n/a	n/a
Voids	4.21%	3.74%	3.53%	3.39%	3.29%	3.42%	£1.333m	n/a
Gap sites	95%	67.5%	64.3%	59.1%	65.5%	66.7%	n/a	n/a

NWL independent value for money survey

Affordability and trust challenges continue to impact customers' perception of value for money. This year the average satisfaction of customers perception of our services being value for money has dropped to 7.6 out of 10 meaning we missed our 8.5 target.

Addressing these challenges is crucial to improving performance against this metric.

Throughout 2024 and ongoing into 2025 (and beyond) we have integrated marketing communication campaign and activity running, focusing on the affordability tariffs that are available to our customers and ensuring the awareness of the schemes for those who may need it.

In quarter 4 of 2024, we started campaign activity to support annual billing 2025 (including the charges increase) and this ran until the end of February 2025. The advertising was weighted 72% on affordability messaging and 28% PSR messaging. Quarter 1 and quarter 2 advertising for 2025 focused 100% on promoting affordability messaging.

In CCw's Water Matters report for 2025 Northumbrian Water ranked joint top for satisfaction with value for money of sewerage services along with Welsh Water with a score of 75%.

Percentage of households in water poverty

We have not achieved this PC.

This is a bespoke, non-financial measure. We were the first water company to set an ambitious goal of eliminating water poverty in our regions by 2030. Water poverty is defined as when a customer spends more than 3% of their net household income (after housing costs) on their water bill.

At the time we set our water poverty target, it was estimated that 22% of our customer base—around 380,000 households—were in water poverty. Our goal was to reduce this figure to 140,000 households by 2025, a reduction of 240,000.

A key part of our original plan was a significant reduction in bills at the start of the current price review, which we anticipated would help lift around 100,000 customers out of water poverty. The initial impact of this bill reduction was even more beneficial than expected. However, the past five years have been marked by considerable economic challenges, including Brexit, the COVID-19 pandemic, and a period of high inflation, which have contributed to a cost-of-living crisis. Rising water bills, driven by inflation, and stagnating wages have eroded much of the initial bill reduction.

The combination of rising bills and reduced household income makes it increasingly difficult to achieve our original goal of eliminating water poverty in our operating areas. Our latest modelling indicates that with continued bill increases, the original definition of water poverty (where water bills exceed 3% of household income) is no longer realistic. We have, therefore, updated the definition in 2025 to reflect water bills that exceed 5% of household income – in line with both the CCWater affordability review and the Water UK public interest commitment.

Given these external challenges affecting our customers, we annually collaborate with TransUnion to update our baseline analysis of water poverty in our regions. This helps us assess the ongoing impact of the cost-of-living crisis and increasing bills on our customers. The updated analysis indicates a net baseline reduction in the number of customers in water poverty. When factoring in customers on capped or reduced bills, we estimate the percentage of customers in water poverty to be reduced further.

During the 2024/25 period, the number of customers benefiting from either a reduced or capped tariff increased by 15%, reaching a total of 151,397. Among these customers, our company-funded tariff increased by 7.6% during the year.

In February 2024, we expanded the eligibility criteria for our low-income tariff by raising the income cap by over 40%, from £17,005 to £23,933. This adjustment made the discount available to more customers who were struggling with rising bills, housing, and childcare costs. As a result, this year we saw an additional 22.6% of households receiving our Low Income Discount.

To make it easier for customers to apply, we have enhanced the use of online tools to assess eligibility. We have partnered with various organisations to provide accessible tools that offer broader benefits.

In the past year, more than 9,800 customers have applied for a discounted tariff using the eligibility assessment tool provided by Policy In Practice. This tool not only confirms tariff eligibility but also identifies potential government benefits that customers may be entitled to. We found that over 70% of eligible customers were missing out on benefits, with an average of £487 per month that could be claimed.

Additionally, we developed an online income and expenditure form through our partner Inicio, allowing customers to complete a detailed breakdown of their income and spending. The form includes average spend guidance, helping customers manage their bills and share their budget with other organisations if they are struggling to make payments.

Data-sharing with the Department for Work and Pensions (DWP) continues to be a major avenue for helping customers access reduced bills. This year, the number of customers on WaterSure increased by 13%, and the Low-Income Pensioner Discount grew by 8.9%. A large portion of these customers were identified without any proactive effort on their part.

We have successfully established data-sharing agreements with six councils, enabling them to share customer information under the Digital Economy Act. This collaboration primarily focuses on customers claiming Pension Credit. For one council, they have been able to provide income details for all tenants receiving state benefits, allowing us to assess eligibility for our Low-Income Discount.

Our financial support schemes have been widely promoted through our advisors, bills, reminder letters, leaflets, partnership promotions, and events to ensure customers are aware of the assistance available.

We have also provided bespoke training to our frontline teams, equipping them with the knowledge and skills to engage in open discussions with customers about their financial situations. This training encourages customers to share their financial struggles and helps us identify the most suitable tariff for each customer, with the ultimate goal of offering affordable payment arrangements, including the possibility of reducing arrears built up over time.

Looking ahead we seeking opportunities to use innovative tariffs to phase any negative impact of compulsory metering, which we will introduce in Essex and Suffolk only from 2025. This might include, for example, capping charges for high water users who cannot effectively manage their usage, such as larger households or lower-income households with a medical need where benefits are not paid. These customers are not eligible for our WaterSure tariff that caps bills but would be vulnerable to a large bill increase. Our smart metering programme gives us an opportunity to offer digital customers more flexibility in payments, billing and tariffs and we are using our insights to tailor new tariff offerings.

From 2025, we will introduce our new Financial Hardship fund – with a £20m contribution from our shareholders over the next five years. This is new support from our shareholders in addition to current commitments. Doing more for people who are struggling, in turn, supports the overall affordability of our plan for 2025-30.

Awareness of additional financial and non-financial support

We have not met the targets for either of the customer awareness measures.

These measures track customer awareness of either financial support in forms such as discounted bills and possible write of arrears, or non financial support. Both measures saw an improvement in overall awareness, with financial awareness rising to 44%, and non-financial to 49%. However, both fall well short of our 65% target.

We are continuing to try and raise customer awareness of support available and have undertaken various activities over the year to support this. We also plan further activity for 2025.

- Our annual promotion plan will align with key awareness days such as Dementia Week and Debt Awareness week. We will also collaborate with partners on joint campaigns across platforms like Facebook, TikTok, and LinkedIn. We've noticed that customer testimonials are being shared more widely, generating increased click-throughs to our website.
- In April, we launched our new community vehicle in Suffolk, Carlton, which is being used to promote our brand and engage with customers at both organised community events and major projects. This fully accessible vehicle will provide an additional opportunity to connect with customers and raise awareness of the full range of support we offer, both financial and non-financial.
- We use every point of contact with customers to raise awareness of the additional support we provide. This includes messaging on our bills, reminder letters, website, social media channels, phone and written communications, and leaflets distributed at events and through partners.
- We’ve also expanded our data-sharing efforts with energy companies, allowing us to add more people to our PSR without them needing to be aware of the support. Once registered, we send them a welcome pack outlining the full range of services available. As a result, we've seen a 15.6% increase in the number of households on our PSR (an additional 33,000 households), giving us confidence that overall awareness of the services available is improving for customers who need them.

While we are pleased to see an improvement in awareness, we are disappointed to miss our target. We plan to increase awareness further as we move into the next regulatory period.

Satisfaction of customers who receive additional financial and non-financial support

We have achieved our target for the satisfaction of customers who received financial support.

This custom, reputation-based PC is designed to ensure we deliver high-quality financial support to household customers enrolled in our affordability tariffs or WaterSure. The score is calculated as an annual average from telephone surveys, where 1,000 customers receiving financial assistance for either water arrears or ongoing charges are asked to rate their overall satisfaction with the services we provide.

We consistently exceed our target of 8.8, achieving a strong score of 8.9. In our latest survey, 39% of customers cited the helpfulness and supportiveness of the service, along with a good billing system, clear communication, and reductions, as reasons for their satisfaction.

To make it easier for customers to apply, we have expanded the use of online tools to assess eligibility, collaborating with partners to provide accessible tools that offer broader benefits.

Over the past year, more than 9,800 customers have applied for a discounted tariff using the eligibility assessment tool provided by Policy In Practice. In addition to instantly confirming tariff eligibility, the tool also highlights potential government benefits customers may be entitled to. Over 70% of eligible customers are missing out on benefits, with the tool identifying an average of £487 per month that could be claimed.

We've also developed an online income and expenditure form, offered by Inicio, to assist customers in completing a detailed breakdown of their income and spending. The form provides average spend guidance, helping customers budget for all their bills. They can then share this budget with other organisations if they're struggling to make payments.

We did not meet the target for the level of satisfaction our customers who received non-financial support.

Over the course of this year, we've seen an improvement in customer satisfaction, bringing us very close to meeting our target. We just missed our target of 8.8, with a score of 8.6 out of 10.

After reviewing the survey feedback, we found that customers were often unaware of the services they were receiving. To address this, we've introduced "warm-up" emails sent the week before the surveys. These emails introduce the market research organisation, help build awareness of the services they will be asked about and provide a contact for customers to reach out if they have any concerns.

We've also updated our strategy for supporting customers, with a draft of our "Inclusivity Strategy 2023-30" released in June 2024. This strategy outlines our long-term plans to increase the number of customers on our Priority Services Register and enhance our services for customers in the years ahead. Customer research on the strategy has been completed and a final strategy will be published in June 2025.

Priority services for customers in vulnerable circumstances: Reach of Priority Services Register (PSR), Attempted Contact, Actual Contact

We have achieved this PC. More than 13.2% (245,997) of our households are now registered against our target of 10.5% for 2024/25. We have also achieved the target for both actual contact with 40.6% and attempted contact with 94.2%.

Since April 2024 we have increased the number of customers on our PSR register by over 40k households. This has been achieved through several initiatives: -

- Data sharing with energy companies, this now include UK Power Networks for our Essex and Suffolk operating areas, and Northern Power Grip and Electricity Northwest who maintain services in our Northern Region
- Data sharing with Anglian Water to ensure we are aware of all the needs of our mutual customers.
- Partnership approach with councils and housing associations to register households where they know the occupiers are vulnerable. For these households, the housing associations are being registered so that they have advance notification of interruption to supply and can provide additional support.
- Awareness campaigns to promote the range of priority services that we offer. PSR messaging is now embedded in our wider communication campaigns alongside increased targeted promotion through digital channels.
- Our frontline teams have received additional training on how to identify customers who require tailored services. The training is easy to access online and gives our teams the skills to identify customers who need tailored services from us, whether they are interacting with us face to face, over the phone or with written correspondence.

We are validating our PSR register in four main ways:

- When a customer contacts us who is already on our PSR the Customer Advisor receives an alert to discuss the customers' needs and update our records.
- As part of our proactive contact with customers, when we are completing planned work, we review their PSR information.
- We are making outbound contacts to customers to validate their requirements. This has involved sending letters in with customers' bills and sending texts and emails where we have received our highest response rate.
- We are working with large housing associations to update social housing properties for tenants living in accommodation reserved for anyone needing support.

We are leading the industry in the design, development, and delivery of a central hub for PSR sharing across multiple industries. 'Support for All' has completed an initial trial using funding from Ofwat's Innovation Fund. This initial trial was completed with a limited number of partners, and we now have additional funding from Ofwat to expand this to a national platform to benefit society. This will be a leading approach and is being built collaboratively with other water companies and other wide-ranging stakeholders.

British Standards Institute Award for Inclusive Services

We have achieved this PC. This is a bespoke PC and is reputational only. Our target is to maintain this award consistently.

This PC is designed to make sure we provide a fair, flexible service which can be used by all customers equally, regardless of their health, age, or personal circumstances.

The BS 19477: Inclusive Service Verification was replaced last year with an enhanced Kitemark standard. The new standard is internationally recognised ISO 22458 and continues to assess whether inclusive services are fully accessible to all customers and that companies have the right business processes in place to support all customers.

This is the fifth year that we have audited which reviews our approach to vulnerability and makes sure our services are inclusive for all - whatever a customer's circumstances. During the assessments BSI review our documented policies and procedures, then hold sessions with our teams to see how we operate the policies and procedures on a day-to-day basis. The sessions include contact with all areas of the business, including call listening, a complaints review, how we promote the wide range of support available, how we manage events, debt recovery and affordability. This year it involved 35 different people across 20 different departments.

Each year alongside core expectations on delivery of service, BSI will review how we are continuing to develop our offering and learning from customer feedback. We're always reviewing the services we offer, and this expert assessment provides regular external scrutiny of our processes.

This year we showcased the developments we have made with our website improving accessibility, our updated inclusivity strategy and the introduction of our community vehicle – Carlton.

We were thrilled to be recognised as fully achieving the standard with no non conformities.

CASE STUDY: ADVANCING DIGITAL ACCESSIBILITY

Challenge

We recognised the importance of making our digital platforms inclusive and accessible to all, especially given that approximately 16 million people in the UK live with a disability, with 21.2% of them residing in the North East. Initially, we had a basic understanding of accessibility, focusing on simple design principles and accessible UI colours. However, we relied heavily on overlay tools like Recite, assuming they were sufficient to meet the Web Content Accessibility Guidelines (WCAG). It became clear that we needed to enhance our digital accessibility efforts to better serve our diverse population.

Action

As we delved deeper into digital accessibility, we realised that overlay tools like Recite do not make a website fully compliant and can sometimes interfere with users' assistive technologies. To address this, we implemented Monsido, an automated scanning tool designed to identify accessibility issues. While Monsido helped us make improvements, we soon recognised that automated scanning alone was not enough - manual testing was essential to achieving genuine accessibility.

To make sure we were meeting the highest accessibility standards, we sought accreditation and enlisted the Shaw Trust for manual testing. Their testing team, comprising individuals with a range of accessibility needs, provided a 125-page report outlining areas for further improvement. The report highlighted issues that required immediate attention, including restructuring content for a logical flow of headings, consistently applying alt text to images, and making code adjustments for keyboard-only navigation. Some of these fixes had to be done by the developers, such as making code adjustments for keyboard-only navigation, while others were carried out by content and page restructuring, like applying alt text to images and restructuring content for a logical flow of headings.

Impact

This journey has significantly upskilled our digital team. Accessibility is now embedded into our processes, with every new requirement including an accessibility check. Our UI designers and developers have developed a much deeper understanding of accessibility best practices, and we have extended this knowledge beyond the digital team, working with corporate communications and marketing teams to ensure that PDFs, emails, and videos also meet accessibility standards. The challenges have been related to the number of fixes and the scale of the changes needed. This has taken more time than anticipated as some changes were relevant to every content page or every time a customer completed a form on the website, so all of those needed to be updated.

We are now in the final stages of implementation, with just a few remaining content restructures and code adjustments to complete. By the end of the financial year, we expect to have fully met AA-level compliance and achieved official accreditation.

Once our two primary customer websites, NWL and ESW, are fully compliant, we plan to extend these improvements across our eight additional websites.

Percentage of void household properties

We have achieved this PC. This is a bespoke measure, with financial incentives for both under and outperformance. We achieved 3.42% against a target of 4.21%.

Ensuring that all customers are billed accurately and on time has always been a top priority. Reducing the number of void properties, those that are occupied but not billed, helps ensure fairer charges for customers and lowers bills for those already being billed.

We continue to collaborate closely with TransUnion to enhance our proactive use of credit reference data to identify properties that are occupied but not billed. We have refined our selection criteria to improve the quality of accounts created through our automated billing process. In addition, automation to manage returned mail and streamline the trace process has helped establish an efficient routine for handling empty properties.

We also continue working with local authorities and housing associations to share information about tenants who may not yet be registered for billing. These partnerships help reduce back billing and debt for tenants while providing us with an opportunity to offer information about our support tariffs and Priority Services Register.

In the coming years, we anticipate improvements by leveraging data from our smart metering program to help identify when customers have moved out without informing us, or when they begin using a supply that we have registered as vacant. We've developed an efficient process for properties where consumption is detected through our smart meter data management system, but no registered bill payer is listed.

Gap sites (Non-household)

The aim of this bespoke PC is to reduce the risk of sites or properties receiving water and/or wastewater that are unknown to us and not being billed. By reducing this number of sites not being billed, it ensures we are able to provide fairer charges to all customers through the lowering of bills. This PC is reputational only therefore no penalty or reward is payable.

We achieved 66.7%, failing to achieve our target of 90% for 2024/25.

We continue to work closely with MOSL on the Data Assurance Project with a primary focus on deregistration of ineligible premises from the market.

MOSL's improvements to the data quality assessment process following the pilot in April 2024 represent an important step toward enhancing the overall market performance, particularly with respect to data accuracy in the CMOS. This new approach will likely include more comprehensive criteria for assessing addresses in CMOS, helping to ensure that data related to business customers and addresses is as accurate and reliable as possible. The new service provider will play a key role in this process by providing clarity and transparency regarding the specific criteria they use to assess and validate addresses. This should help ensure consistency and reliability in the way data is handled, which is critical for improving data quality within the water retail market. Transparency from the service provider will also likely offer trading parties (like wholesalers and retailers) a better understanding of how their data is being evaluated, which could lead to more effective data management practices and fewer errors. These changes will align with the broader objectives of the MPF and MOSL's Data Assurance Programme, both of which focus on improving data quality as a foundation for better market performance.

MOSL currently monitors and compares wholesalers across a range of measures including the number of VOA references and UPRN references each wholesaler updates in the central market register. This metric is purely looking at fields populated and does not measure the level of accuracy. We are currently placed seventh for completeness of VOA score and 15th for completeness of UPRN score.

From 2025, this metric will no longer be reported in this format, with it becoming part of the industry common metric BR-MEX, which incentivises wholesales to improve their service delivery to business customers, aligning with the overall goals of improving market performance

THEME THREE: RELIABLE AND RESILIENT SERVICES

OUTCOME 6: We are resilient and provide clean drinking water and effective sewerage services; now, and for future generations.

The performance commitments for this Outcome are designed to track progress against key investments we are making in 2020-25, and to return funding to customers in the event of any late or under delivery:

- **Risk of severe restrictions in a drought:** This is a common measure with no financial incentives which the percentage of our population at risk of experiencing severe water supply restrictions in a 1-in-200-year drought, on average, over 25 years. (Reference **PR19NES_COM10**)
- **Delivery of our smart water metering enhancement programme:** This is a bespoke, penalty-only PC to incentivise delivery and return funding to customers if we fail to deliver our smart metering programme in full by March 2025. The PC specifically measures the percentage delivered of our smart metering programme. This is limited to installing new smart meters and replacing existing basic meters with smart meters. (Reference **PR19NES_BES26**)
- **Delivery of our water resilience enhancement programme:** This is a bespoke, penalty-only PC to incentivise delivery and return funding to customers if we fail to deliver our water resilience investment programme in full by March 2025. (Reference **PR19NES_BES24**)
- **Delivery of our lead enhancement programme:** Our lead pipe replacement programme is supported by a bespoke, penalty-only PC to incentivise delivery and return funding to customers if we fail to deliver the programme in full by March 2025, alongside a reputational target in each year of the period against which we can track progress. (Reference **PR19NES_BES25**)
- **Delivery of our wastewater resilience enhanced programme:** This is a bespoke performance commitment to incentive deiliver of investment to enhance the level of resilience of 141 wastewater assets in the event of flooding. (Reference **PR19NES_BES27**)
- **Delivery of our Howdon Sewage Treatment Works enhancement**: This is a bespoked penalty only PC which incentivises on time delivery of resilience improvements at our Howdon site. (Reference **PR19NES_BES29**)
- **Delivery of our cyber resilience enhancement programme:** This bespoke PC incentivises timely delivery of our cyber resilience programme (Reference **PR19NES_BES28**)
- **Delivery of our Drainage and Wastewater Management Plan (DWMP):** This bespoke PC incentivises timely delivery of our DWMP (Reference **PR19NES_BES22**)
- **AMP8 Accelerated Delivery Schemes:** Ofwat has introduced for 2023/24 to report on progress made on early starts for key investments needed in the 2025-30 period.

Risk of severe restrictions in a drought

This is a common measure with no financial incentives. The measure tracks the percentage of our population at risk of experiencing severe water supply restrictions in a 1-in-200- year drought, on average, over 25 years.

The metric tracks water company implementation of our PR19 Water Resources Management Plan (WRMP19) supply and demand schemes, to reduce the percentage of customers at risk of severe drought restriction.

Our WRMP19 demonstrated that we have 100% security of supply in all our Water Resource Zones (WRZs), across the full 40-year planning horizon. We also demonstrated resilience to a drought with a return period of 1 in 200 years in all our WRZs, with 0% of our customers at risk from severe supply restrictions. We therefore did not need to promote any supply schemes in our WRMP19 but did include demand management schemes.

The position has now changed for WRMP24, and in response to both growth, sustainability reductions and climate change, we are planning to invest nearly £400m in new supply schemes over the 2025-30 period to maintain the resilience of our supplies – focused on our water stressed ESW operating area.

Delivery of our smart water metering enhancement programme

We continued to make significant progress with the delivery of our smart metering programme during 2024/25, further advancing our digital capabilities and customer service offering. While we did not meet the performance commitment (PC) target set at PR19, achieving 53.6% against a target of 100%, we exceeded our internal installation target for the year and delivered strong year-on-year improvements, and ultimately achieved 89% of the revised plan which we discussed with Ofwat in 2022.

Across the AMP7 period, we installed a total of 271,234 smart meters, of which 225,942 contributed to our smart metering performance commitment. This represents a 6.7% upgrade of our total meter portfolio to smart-enabled devices. We remain committed to achieving full smart meter coverage by 2035.

In response to challenges early in the AMP, we agreed an action plan with Ofwat, updated most recently in August 2023. The revised plan committed to 84,406 installations in 2024/25. By year-end, we had delivered 102,123 smart meter installations, comprising:

- 19,755 new installations at previously unmetered properties.
- 71,412 upgrades from traditional meters.
- 10,956 meters installed at new build properties or via bulk-to-individual replacements (excluded from the PC).

This represents a 39.3% increase in installations compared to 2023/24, and a 47% increase in installations contributing directly to the PC. We focused more heavily on meter upgrades, reflecting the shift in customer engagement strategy in preparation for compulsory metering in AMP8 and the need for increased transparency.

Customer demand also grew significantly, with optant applications increasing by 35% in Essex & Suffolk and 30% in the NWL region compared to 2023/24. We supported this with a series of targeted marketing campaigns, reaching customers most likely to benefit from a metered bill. Customer feedback highlighted a strong preference among some customers to retain rateable value billing, even where metered charges would be lower—emphasising the importance of tailored communication and support.

Network connectivity and data insights

During the year, we awarded a 15-year contract to Connexin for the deployment of a LoRaWAN smart communications network across the NWL region. Connexin is now our appointed provider across all three operating regions. In addition, we continue to operate the Arqiva network, supporting approximately 60,000 customers in Dagenham, Romford, and Ilford.

To date, 91,690 meters are connected to our smart networks, providing 69 million meter readings into our systems each month. This real-time data is helping us better understand consumption, detect leakage, and work with customers to reduce demand.

Through analysis enabled by our new Meter Data Management System, we identified 17,313 household properties with customer-side leakage, an 82% increase from the previous year. Of these, 11,058 leaks were resolved following proactive customer engagement, significantly reducing water loss.

Regional focus – Suffolk and Hartismere

Recognising Suffolk as one of our most water-stressed regions, we accelerated smart metering activity in Hartismere, our most resource-constrained Water Resource Zone (WRZ). This rural WRZ, which serves over 13,000 customers, currently requires tankered water in peak summer and faces business growth constraints until 2032.

Key achievements in Hartismere include:

- 10,800 smart meters installed, increasing meter penetration from 71% to 86.4%, with 94% of meters communicating via the smart network.
- Delivery of 6.4 million meter readings per month.
- Engagement of 3,780 customers through 198 community events, achieving a 9.9/10 satisfaction score.
- Reduction in field visits and inbound contacts by 40%, delivering £50,000 in cost savings.
- A 0.19 Ml/d reduction in demand and 0.04 litres per capita per day reduction in consumption across Suffolk.
- Identification of 1,466 customer-side leaks, with 669 resolved, 52% within 32 days.
- 22 underperforming non-household meters replaced.
- Participation from six businesses in the Water Saving in Business Fund, with potential savings of 815,000 litres per day.
- Households receiving flow regulators and water efficiency audits reduced consumption by an average of 21 litres per day.

These achievements are just the beginning, positioning us for continued success as we progress toward our 2035 goal, driving both operational excellence and exceptional customer service. The programme has successfully established the groundwork for the future of smart metering across our regions, contributing to more efficient operations, greater sustainability, long term water resilience and better service delivery to our customers.

Delivery of our water resilience enhancement programme

In our 2020-2025 Business Plan we committed to making some improvements to strengthen the resilience, effectiveness, and efficiency of our water services through several major investment schemes.

These schemes in the Northeast include a new underground reservoir at Springwell (Gateshead), a new pipeline to improve interconnectivity between two operational areas in Teesside, a new pipeline to improve raw water connectivity in Essex, modifications at Herongate service reservoir, a service reservoir and pumping station in Suffolk, which will be supplied from a new water treatment plant, and various improvements at sites deemed too critical to fail. All of these will improve resilience, with the majority being complete or substantially complete by March 2025.

Since submission of the PR19 Enhancement business case a few amendments have been required, which have been previously communicated. These include;

- Upon further investigation the new 55 Ml WPS at Shildon SR was not a cost effective solution. An alternative network solution will instead achieve the same outcomes.
- Springwell capacity was reduced from 62 Ml to 43 Ml.
- The length of replacement between Springwell and Pikes Hole was 6.2Km opposed to 7Km referenced in the business plan.
- Duplication of the Chirton SR outlet was no longer feasible due to a new housing development being constructed. An alternative network solution was identified but the cost outweighed the benefit and was significantly higher than the enhancement allowance .
- For out Too Critical to Fail investment, flood and power resilience protection was ultimately required at fewer sites than envisaged at PR19 – hence a portion of the associated funding was returned to customers at PR24.

In reporting against this PC, we have now followed the clarifications provided by Ofwat at FD24. In particular the test for completion of each scheme being whether or not we have delivered the 'outputs' as specified at PR19, as opposed to the associated 'customer benefit'.

We have also updated the independent assurance report provided by Jacobs, which can be found at here, which validates the details in the table below.

SCHEME	TARGET DATE	FORECAST/ ACTUAL COMPLETION DATE	SUMMARY OF ACTIVITY	DESCRIPTION OF SUBSTANTIAL COMPLETION	% OF RESILIENCE PROGRAMME
Central					
Springwell Service Reservoir and Pipelines: resilience to customers in the Gateshead and surrounding areas	Mar 25	Mar 25	The construction of the new 43 Ml storage reservoir in Gateshead.	Complete on time	15.57%
		Mar 25	The 5.2 Km 1000mm outlet connecting the new reservoir to Pikes Hole.	Complete on time	16.98%
		Aug 25	Construction of a 1.5 Km 800 - 1000mm inlet between our existing network and the new reservoir. We have experienced some delays due to unforeseen services in the ground and increased water demand affecting the initial design.	Complete c5 months late – a small late fee will apply at PR29.	3.66%
55 Ml WPS at Shildon SR: amended to network modifications in the Central network	Mar 25	Jun 25	Installation of a flow / pressure control valve to facilitate flow reversals. This will deliver the same resilience benefits in the Spennymoor supply area. The initial Water Pumping Station (WPS) solution was not cost effective due to hydraulic constraints, the pressure rating of the receiving pipeline and introduction of high operational pumping costs.	As the WPS funded at PR19 has not been required, associated funding was returned to customers at PR24.	3.14%
Essex					
Abberton Pipeline: improving raw water connectivity in the Essex region (also known as Layer to Langford pipeline)	Mar 25	Feb 25	We have completed the construction of the pipeline between Abberton Reservoir and Langford Bankside storage. This is currently being commissioned.	Complete on time	22.33%
Herongate SR pipework modifications	Mar 25	Nov 24	Installation of new valves on the existing pipeline to remove single point of failure.	Complete early	0.27%
Teesside					
Tees Pipeline: upgrade the network and interconnectivity in the Teesside region	Mar 25	May 25 (for enhancement element)	The 'output' of 16km of pipeline funded as enhancement at PR19 was largely completed on time with the exception of one connection under the A68 trunk road which has delayed completion slightly to April 2025. There is, however, a defect in a river tunnel on a separate section of the main (funded from base) which we expect to be resolved by September/October 2025.	Enhancement element completed c6 weeks late – a small late fee will apply at PR29	25.90%

Cross Connections C60/60a for Darlington	Mar 25	n/a	This is no longer part of the enhancement programme and will be delivered at a later date.	The small amount of associated funding (0.24% of the programme) will be returned to customers at PR29.	0.24%
Suffolk					
Barsham	Mar 25	Mar 25	A new 20 Ml treated water reservoir and pumping station to improve resilience in our North Suffolk region.	Complete on time	9.67%
Tyneside					
Chirton Service Reservoir Pipeline Duplication	Mar 25	n/a	The original solution was not feasible due to a housing development. The alternative solution was not deemed cost beneficial.	As this has not been delivered, the (small amount of) associated funding will be returned to customers at **PR29**	0.46%
Regional					
Too Critical to Fail: mitigation against natural and manmade hazards	Mar 25	Jun 25	Flood protection measures have been implemented at 4 sites. Surface water drain checks complete at 3 sites. Installation of standby pump at Birney Hill PS pending permanent PS being commissioned.	Protection was required at fewer sites than forecast at PR19 – hence a proportion of the allowed funding was returned to customers at PR24 (equivalent to 2.72% of the overall programme)	5.43%

Delivery of our lead enhancement programme

We have delivered 100% of the lead pipe replacement programme for AMP7, despite not having achieved our PC during any of the previous years in the AMP and having only achieved 35% of our original programme by the end of year four. We completed 65% of the outputs in the final year of the AMP with a real customer-focused and results-driven approach by the project team.

As a priority, we wanted to protect those most vulnerable to the effects of lead in drinking water by focusing on lead pipe replacement in buildings frequented by children (our Vulnerable Groups scheme, which covers educational and community establishments). In addition to protecting our most vulnerable communities, our lead pipe replacement programme prioritised areas at the highest risk to lead exposure (our Hot Spots scheme). These schemes were spread across our three geographic supply areas, so all our customers benefitted from the project. The most challenging element to mitigate the risk of lead in drinking water at the tap was replacing the customer's lead supply pipe to inside their homes. The success of replacement therefore required individual property owners' consent. The take up from customers increased as the AMP progressed as we learned and implemented new strategies and developed different marketing and engagement approaches.

Our lead replacement programme was impacted throughout 2020/21 by Covid-19. There were two main aspects of this. Firstly, the impact that the government restrictions had on our supply chain and their people being furloughed as a result, and secondly, our customers were reluctant to engage in a programme that involved work inside their homes. In 2020, we focused on developing the delivery strategy, including setting up the commercial framework, and on implementing the model for delivering and reporting on our lead enhancement commitments. Although some lead replacement was able to start in 2021, concerns about the pandemic were still high and it wasn't until January 2022 that we were able to move forward with more assurance.

Throughout 2023/24 we refined our customer engagement strategy and exceeded our annual target outputs for hot spots. In addition, we secured business authorisation for our delivery approach which saw us deliver a greater proportion of hot spot and rural candidates whilst extending the project covering vulnerable customers to also include registered nurseries and child minders, as well as schools.

During year 2024/25 we implemented all our learnings and the best strategies for engagement. We brought new people and expertise to the team allowing us to communicate better with customers, and developed new ways of working that delivered a better customer experience and resulted in more lead-free properties. We had to flex the ratio of scheme types (hotspots vs rural supplies vs vulnerable customers) to reflect levels of customer take-up/stakeholder appetite in order to achieve the 100% target in accordance with the rules agreed in the Final Determination for AMP7.

We benefited from supportive delivery partners in all operational areas delivering outputs at a consistent pace and perfecting the approaches for engaging with customers. Outputs were reported and monitored on a weekly basis allowing us to track performance. Our delivery partners were engaged and committed to the overall objectives of the programme. They ramped up the resources to the required levels, and processes were in place that provided the opportunity to continually share best practice. This is positive for the ambitious programme we have planned for AMP8 as we continue in our journey towards more lead-free communities in line with our Final Determination for AMP8.

Delivery of our wastewater resilience enhancement programme

We successfully delivered the full programme of 141 schemes by the end of March 2025.

The completion of these projects represents an important milestone in improving resilience to our wastewater assets delivering protection from flooding and safeguarding wastewater services for our customers.

For this PC there was a requirement to 'provide an assurance report at the next price review from an appropriately qualified third party to:

- Confirm that the scope expected to be delivered for each milestone is equivalent or greater to the required scope.
- Confirm expected completion of each scheme and to assess any likely delay in any individual milestone beyond 31 March 2025.

This report was provided at Annex 62 to our 2025-30 Business Plan which can be found here with a summary on p11 of the report. An updated copy of the report has now also been prepared which can be found here.

Delivery of our Howdon sewage treatment works (STW) enhancement

Delivery of our Howdon sewage treatment works (STW) enhancement Howdon is one of our largest STWs, and we are investing to improve the site's resilience.

Two key assets have been identified as requiring a major upgrade:

- Primary effluent pumping station (PEPS) and associated rising main.
- Southbank pumping station (SBPS) and associated rising main.

While many issues have been overcome (e.g. delayed planning approval) and further opportunities have been successfully achieved (over 500tCO2e embodied carbon savings), there continues to be further complex technical and programme challenges to overcome. These include the management of increasing risks associated with the:

- Existing ground conditions (in particular the impact of increased groundwater and settlement), has resulted in a need to redesign the PEPS.
- Extensive intrusive temporary works required to commission the new assets has resulted in additional measures being put in place to ensure that wastewater compliance is not compromised.
- Impact of Industrial Emissions Directive, in particular the construction of secondary containment has resulted in some additional redesign for this scheme.

Despite best efforts, expected delivery has been delayed by a further three years (to April 2029). We continue to work with our design consultant (WSP) and Design and Construct Contractor (Mott MacDonald Bentley) to ensure that we can deliver the most robust programme. In addition, to mitigate this unwelcome delay, further additional targeted and proactive maintenance is being delivered to improve the reliability and resilience of both PEPS and SBPS. This work provides greater resilience until the permanent upgrade is complete.

Our broader Howdon development plan includes two further objectives to increase the permitted dry weather flow, due to population growth in the next 25-30 years (estimated to be 150,000 population equivalent) and additional measures to better manage storm flows. The delivery of this additional scope is aligned to the programme for the expected population growth, which is continually under review so that business risk is fully managed. Delivery of this growth scope is still expected to complete by end of AMP8.

A penalty associated with the above delayed delivery will be paid at PR29. An updated copy of the assurance report associated with this scheme has now also been prepared which can be found here.

Delivery of our cyber resilience enhancement programme

We achieved 100% of our cyber resilience enhancement programme on time.

This programme has delivered multiple projects and benefits by enhancing our cyber security function and supporting compliance with the Network and Information Systems (NIS) Regulations. The largest percentage of this PC was delivered by 1st April 2023 and numerous cyber security initiatives have now been implemented to enhance our cyber risk posture.

In such a dynamic landscape we have ensured our investments has kept pace with technology and is proportionate to the ever-changing cyber risk and technical landscape, yet still in line with our targets. Keeping up with advancements in technological and human cyber capability, particularly from well-funded foreign state threat actors is both challenging and expensive so we make sure our investments are allocated to the most appropriate areas.

To support the PC we have continued to develop our policies, expand our cyber security function and are making sure our people are equipped with the relevant knowledge and continue to develop through Exercises, Training and Phishing simulation tests. We continue to develop our security posture in line with our continuous improvement strategy to make sure technical and human advances by malicious threat actors are mitigated appropriately and keep our business, employees and customers safe. Throughout the AMP we have taken advice from the NCSC and regularly shared our programme with the DWI to ensure we meet the NIS regulations.

Delivery of our Drainage and Wastewater Management Plan (DWMP)

On 31 May 2023, we published our Drainage & Wastewater Management Plan (DWMP) on time, meeting this PC. The DWMP and reporting documentation was submitted in full to the EA, DEFRA and Ofwat for review. The plan identifies how we will extend, improve, and maintain a robust and resilient drainage and wastewater system considering the pressures of climate change, population growth and growing customer expectations. We refreshed some elements of our DWMP in January 2024 reflecting further developments, particularly in relation to our PR24 planning process.

More detail can be found in our Business Plan for 2025- 2030 and our Environment Strategy to 2050.

Delivery of AMP8 Accelerated Schemes

In Autumn 2023, recognising the scale of emerging investment needs across the sector for 2025-30 and the deliverability challenges these were likely to present, Ofwat and Defra launched a joint initiative where companies could bit for additional funding in 2023-25 in order to make an early start on any key 2025-30 investment schemes which were sufficiently well developed at that point in time.

As part of this initiative we were granted approval to accelerate some £99m of investment (the 3rd highest in the sector) by bringing forwards £25m of this investment to 203-25 – this represents mainly planning and design work so that construction can commence more rapidly in 2025-30.

Ofwat has now introduced a requirement to report on progress against the accelerated schemes that itself and Defra have approved and this is provided below:

Linford WTWs and Borehole

The 2024/25 objective was to complete the drilling of a pilot borehole, and then to complete the design of the new operational borehole and water treatment works, and to secure land lease agreements. Challenges with securing land lease agreements mean that we are behind schedule.

Pilot boreholes are used to prove the water quality and yield, and this data along with the soil strata data collected will then be used in the design of the new operational borehole(s). Following a detailed engineering study and extensive landowner consultation, covering an area of over 30 square miles in south Essex, a land lease agreement was finally secured for the first borehole site in January 2025. Drilling of a pilot borehole and test pumping of a pilot borehole was completed in March, but the yield was very low from this first borehole. A second pilot borehole is being drilled at this site, a sufficient distance from the first borehole. A third pilot borehole is also being planned at a site 4km away. We are seeking advice from a technical specialist (hydrogeologist) on the selection of further pilot boreholes' location and borehole development techniques to mitigate delay on the design and construction of the production borehole(s).

Detailed design of the new water treatment plant has been progressing, albeit utilising historical water quality data from a nearby disused well. From the design work completed so far, key information such as the size of land required, have allowed a multi-stage & multi-disciplines site selection process to be progressed. The early stages of the selection process are primarily desktop-top based, and by March 2025 a shortlist of 25 sites has been derived from the initial total of 71 sites.

The inability to secure a land lease agreement is the main reason for the delay to the borehole drilling works. It became clear through the land negotiation process that there are multiple competing land uses which has made land negotiations challenging. We have contacted over 60 landowners with only one borehole site agreed and the landowners we have spoken to have alternative uses planned for their land which is pushing land prices even higher. There are also landowners who simply don't wish to sell their land. Major infrastructure projects being planned for south Essex such as the Lower Thames Crossing & Norwich to Tilbury schemes have made the landowners become cautious of infrastructure projects. Furthermore, some landowners are simply not interested in selling at any price.

As for the procurement of land for the water treatment works, this can only start when planning consent has been granted for the chosen site. In Planning terms, the new treatment works is going to be located in the Green Belt which means that we must demonstrate "Very Special Circumstances". This is a strict policy test which must be passed in order to allow planning permission to be granted for the scheme. There are numerous appeals and court cases which deal with this test, and it is a very high bar to pass. That is why the site selection process needs to be robust and withstand scrutiny from the Council and other third parties. Essentially, we must be able to demonstrate that the chosen site has the least impact possible on the Green Belt. It also means that the justification of need for the project must be thoroughly set out and explained in order to meet the VSC test. It is worth noting that much of the timing associated with this process is not under our control.

Delayed delivery of the 2024/25 objectives has no direct impact on customers but there will be an increased risk to the WRMP supply / demand balance should the project completion target of March 2027 not be met.

Suffolk Strategic Network & Storage Enhancements Detailed Design

This scheme aims to improve water connectivity across the Suffolk area, alleviating supply/demand pressures by enabling surprise water to be delivered to where it is needed most.

The 2024/25 objective was to complete 60% of the detailed design for the scheme. Despite good progress we estimate that 40% has been achieved so far.

The site selection work for the central service reservoirs has identified a preferred location, whilst options for the west reservoir are still progressing. The pipeline route options have been identified and the strategic crossing report prepared. The existing Suffolk network models have been validated and the models for growth to 2050 have been developed.

Delays have occurred due to the uncertainty around planning strategy. Following a lengthy review by legal and planning teams, it has been confirmed that the preference is for the Suffolk Strategic Network and Lowestoft Re-use Projects to be combined and delivered by a Development Consent Order (DCO), subject to acceptance of a Section 35 Application to the Secretary of State to have these projects recognised as Nationally Significant Infrastructure that can be delivered by the DCO.

While DCOs can sometimes accelerate delivery, the decision to combine the project with the Lowestoft scheme will impact on the overall completion date for the project, with it now forecast to be 2032.

Lowestoft Water Re-use scheme: Detailed design

Our target was to complete the detailed design for this scheme by March 2027, with 60% complete by March 2025.. At this stage our plans forecast a completion in October 2027.

Since previous reporting we have confirmed our consenting strategy for the project will be via a Development Consent Order (DCO), combined with our Strategic Suffolk Network Project. We have also completed a number of key activities in the period including the development of site and routes selection methodologies and RAG assessments. We have undertaken a provisional sampling regime at the Lowestoft WwTW and at the River Waveney to inform the process design of the re-use works.

The Final Determination confirmed that this scheme will follow the Large Scheme Gated Process and we are on track to achieve the prescribed dates for submission 1 (September / October 2025) and submission 2 (March 2027).

The forecast completion of October 2027 reflects our decision to progress the project via the DCO consenting strategy. This provides greater certainty to NWL that land acquisitions and permits required to deliver the scheme can be obtained collectively as part of the order. The DCO reduces the risk that would have been associated with the alternative approach via Town & Country Planning Act (TCPA) route.

We have engaged with Anglian Water who are implementing a similar re-use scheme in Colchester. They have undertaken research with Cranfield University regarding the language of re-use to help understand how best to promote efficient recycling within the UK. We are keen to learn from their research and conduct an exercise with our customers to ensure they understand what recycling is and how it benefits the environment and improves water resilience.

Our forecast for the completion of the scheme is now February 2033. This aligns with the date we forecast in our WRMP Best Value Plan (2032/33), but later than our Habitats Regulation Adaptive Plan (2031/32). The delay has no impact on our household customers, but may delay the impact on lifting of the current non-domestic new supply moratorium in place in Blythe & Hartismere water resource zones. We are currently investigating alternatives options that may mitigate this impact.

Suffolk Winter Storage Reservoir: Concept Phase

The Suffolk Winter Storage Reservoir Concept Phase aims to secure water resilience for Northumbrian Water by providing a sustainable water storage solution in North Suffolk. This project addresses future water scarcity challenges driven by climate change, population growth, and increasing agricultural and industrial demands.

During 2024/25, the project progressed significantly, achieving approximately 50% completion of the Concept Phase (vs our objective of 60%). This phase includes critical tasks such as planning the overall route, selecting the most suitable site for the reservoir, and determining the optimal pipeline route.

The original concept scope has expanded from 3,500ML to 30,000ML in capacity, driven by a reassessment of long-term regional water demand and the desire to future-proof the reservoir's usefulness. This increase in scope has required a thorough re-evaluation of design, planning, and environmental considerations, but substantial progress has still been made against revised targets.

The project has evolved significantly in scope over the last year, resulting in delays relative to the original timeline. The ambitious increase in capacity required additional technical studies, land assessments, and stakeholder consultations. However, the project remains on track against the revised expectations.

The team has embraced advanced modelling techniques to optimize site selection and routing, utilizing geospatial data and predictive analytics to enhance decision-making. Furthermore, a collaborative approach involving technical, legal, and planning partners—Jacobs, Freeths, and Savills—has streamlined the process, ensuring all aspects of the project are being handled with a coordinated strategy.

While performance has not met the initial targets, the project's expanded scope aims to provide greater long-term benefits to customers by ensuring a more resilient water supply. Communication with stakeholders has been prioritized to ensure transparency about project progress and expectations.

The North Suffolk Winter Storage Reservoir project exemplifies Northumbrian Water's commitment to long-term resilience and innovation. Despite challenges in meeting the original concept timeline, the significant expansion of the project demonstrates an ambition to address future water needs comprehensively. With continued collaboration between key partners and stakeholders, the project is set to provide essential infrastructure that will benefit customers for generations to come.

An assurance report in relation to the Suffolk schemes can be found here.

Berwick upon Tweed storm overflows: Concept and Definition Phase

This scheme aims to develop solutions to reduce spills and environmental impact at 31 overflows in the Berwick catchment, with the concept and definition phase to be completed by March 2025. Prior to this Ofwat had requested we submit a report on the permit compliance of the assets, which was provided on time in October 2024.

The 'Concept and Definition' phase report seeking to validate best value solutions to reduce spills, based on model verification and root cause analysis, has now been completed.

The final report and third-party assurance statement are complete and can be found here.

OUTCOME 7: We always provide a reliable supply of water

AMBITIOUS GOAL: Have the lowest levels of leakage in the country in our water-stressed Essex & Suffolk Water (ESW) operating area (on a cubic metres per property basis)

AMBITIOUS GOAL: Have a per capita consumption (PCC) for water use of 118 litres per person per day by 2040

Our performance commitments for this Outcome are as follows:

• **Per capita consumption (PCC)** – this is a common performance commitment which records the average per capita daily water consumption of our customers. While there are financial incentives associated with under and out performance, Ofwat has deferred these to the end of 2020-25 in light of the impacts of the Covid pandemic on this metric. (Reference **PR19NES_COM07**)

• **Unplanned outages –** This is common, penalty-only performance commitment, which is used to assess the health of our assets for our water abstraction and water treatment activities. It is designed to minimise the extent that available water treatment capacity is reduced due to unplanned issues or outages, and in turn make sure water companies appropriately maintain and improve the asset health of their non-infrastructure or above-ground water assets for the benefit of current and future generations and demonstrate their commitment to asset stewardship responsibilities. (Reference **PR19NES_COM13**)

• **Interruptions to supply greater than three hours –** This is a common measure designed to incentivise companies to minimise the number and duration of supply interruptions, with financial incentives associated with under and out performance. All interruptions of three hours or longer are added up to give a total time that customer supplies were lost across our supply area. We then divide this total time by the number of properties we serve. This gives an average number of minutes and seconds we have interrupted each customer for three hours or longer. (Reference **PR19NES_COM04**)

• **Interruptions to supply between one and three hours –** this is a bespoke performance commitment with financial incentives associated with under and out performance. It is calculated on the same basis as the greater than 3 hour PC above. It is measured as the % change from a baseline measured in 2018-19 to 2020-21. (Reference **PR19NES_BES14**)

• **Interruptions to supply greater than 12 hours –** this is a bespoke performance commitment with financial incentives associated with under and out performance. It measures the number of properties which are affected by a water supply interruption for 12 hours or longer. (Reference **PR19NES_BES14**)

• **Leakage -** This is a common measure with financial incentives associated with under and out performance. Performance is reported separately for our ESW and NW operating areas. Leakage from our water network is measured in Megalitres (millions of litres) lost per day, and we report the average daily level at the end of the year. Our PC is based on a percentage reduction of three-year average leakage against a 2019/20 baseline. (References **PR19NES_COM5 (NW) and PR19NES_COM6 (ESW)**)

• **Visible leak repair time** – This is a bespoke measure with financial incentives associated with under and out performance. It measures the average time taken to repair customer-reported visible leaks. (Reference **PR19NES_BES04**)

• **Mains repairs (bursts)** – This is a common PC which measures bursts per 1,000km on the entire water main network conveying treated water around the distribution area (excluding communication and supply pipes). There are financial incentives for out and under performance. (Reference **PR19NES_COM12**)

• **Abstraction Incentive Mechanism (AIM)** – This is a common, financially incentivised measure designed to reduce the environmental impact of abstracting water at environmentally sensitive sites when water is scarce. Our one AIM measure site at Ormesby Broad, Norfolk is intended to protect the site's valuable habitats and ecology. **(Reference PR19NES_BES18)**

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Per Capita Consumption (PCC) (litres/person/day 3 year average)	5.3% reduction	3.8% increase to 156.3 litres	4.7% increase to 157.7 litres	5.6% increase to 159.1 litres	2.7% increase to 154.7 l/p/d.	1.4% increase to 152.7 l/p/d	-£2.00m	Worse than LQ
Unplanned outages at Water Treatment Works	2.34%	5.69%	4.57%	3.51%	2.89%	1.95%	£0	AVG
Interruptions to supply between one and three hours (mm:ss)	90% of baseline 07:27	n/a	87.9%	124.2%	95.2% (07:53)	105.1% of baseline (08:35)	-£1.399m	n/a
Water supply interruptions greater than three hours (mm:ss)	5 minutes	4 mins 4 sec	5 mins 51 sec	8 mins 17 sec	5 mins 32 sec	4mins 40 sec	£0.347m	UQ
Interruptions to supply greater than 12 hours (properties)	400	143	917	448	1,067	223	£0.586m	n/a
Leakage (ESW)* (MLD 3-year average)	14.1% reduction	0.5% reduction to 64.9MLD	3.2% reduction to 63.1 MLD	7.5% reduction to 60.3 MLD	15.3% reduction to 55.2 Ml/d	17.6% reduction to 53.7 MLD	£0.354m	UQ
Leakage (NW)* (MLD 3-year average)	12% reduction	1% increase to 136.2 MLD	0.1% reduction to 134.7 MLD	3.7% reduction to 129.8 MLD	8.7% reduction to 123.1 Ml/d	12.0% reduction to 118.6 MLD	£0	AVG
Visible Leak repair time (average days)	4	9.7	6.7	7.1	4.5	5.8	-£0.77m	n/a
Mains repairs (per 1,000km main)	123.4	127.0	110.9	154.9	109.4	122.6 (Actual 3,239)	£0.078m	below AVG
Abstraction Incentive Mechanism (AIM)	0	n/a	n/a	n/a	n/a	n/a	£0	n/a

Per Capita Consumption (PCC)

We have not achieved this PC.

Our PC requires us to deliver a reduction of 5.3% by 2025 against a baseline of 150.6 l/hd/d in 2019/20, on a three year rolling average basis. Our PCC for 2024/25 is 151.8 l/hd/d. This represents a 0.46% decrease from 2023/24 and a 8.39% reduction since 2020/21. However, annual PCC is still 1.4% higher than the target base year (3 year average). Our three-year average PCC, which is 152.7 l/hd/d in 2024/25 remains inflated by the material and sustained impact of the Covid-19 pandemic.

Reported	Base year	2020/21	2021/22	2022/23	2023/24	2024/25
Annual Average PCC NWG	-	165.7	157.8	153.8	152.5	151.8
3-year average PCC NWG	150.6	156.3	157.7	159.1	154.7	152.7

There are four core elements that impact Per Capita Consumption (PCC); water efficiency interventions, water metering (including smart metering), Government-led supportive policy change and external impacts such as Covid-19 and extreme weather. There is a clear link between the performance of our metering programme and the impact on PCC. The metering delivery outcome can be found in Theme Three.

The PCC reporting methodology is broken down into reporting components. We can confirm that that the reporting methodology used to provide these figures is consistent with a ‘green’ (compliant) assessment against each component.

Impact of Covid-19 on PCC

Ofwat’s Final Determination (FD) set out the decision on how the impact of Covid will be managed in terms of reward and penalty for this ODI. We provided evidence to inform Ofwat’s thinking ahead of the FD.

In September 2021, we wrote to Ofwat setting out a comprehensive evidence base of the sustained and material impact on PCC (7.3% increase in 2020/21). The estimated impact for 2024/25 remains at a 1.6-2% increase potentially due to Covid with hybrid working and sustained behavioural changes account for this increase. These impacts are not unique to Northumbrian Water and are evident nationally.

We contributed to the latest collaborative research delivered by Artesia and Frontier Economics on “Water use shock event effects and regulatory treatment” (here). The research concludes: the impact of working from home has persisted since Covid-19 restrictions ended. Evidence also suggests the coincidence of hot-dry weather with other shocks has amplified the PCC effects of extreme weather events, whose increasing frequency and severity are being exacerbated by climate change. • that 'shock' events in recent years have caused a disconnect between company activity to reduce PCC and the changes in PCC that companies have reported.

Water Efficiency Programme

In WRMP19 we committed to reduce PCC by 1.2% each year, 0.6% of which would be achieved through delivery of water efficiency interventions (with the remainder coming through increased metering and customer-side leakage reduction activities). In 2024/25, delivery of our water efficiency programmes resulted in a saving of 1.495 Ml/d (545.80 Ml/year). This equated to a 0.36% reduction in PCC against the WRMP19 target of 0.6% from water efficiency activity. We have delivered 28% of the planned water efficiency activities over the 2020-25 period (impacted by our restricted ability to deliver interventions early in the AMP due to the Covid-19 pandemic).

As outlined in our response to the Joint Regulators letter (December 2022), we outlined an Action Plan to address the challenges and acknowledge the regulators' challenge that we should redouble efforts. We continue to adapt and innovate our approach to water efficiency including:

- Establishing a comprehensive PCC Tactical Plan, which reports into a director-led monthly PCC Focus Group providing governance. Updates on the PCC Tactical Plan are taken to the Executive Leadership Team on a quarterly basis.
- Upscaling our leaky loo programme.
- Making water efficiency a key part of our NWL Innovation Festivals with dedicated sprints focusing on water efficiency and PCC.

Our Action Plan for 2024/25, with associated commentary on performance, is shown below:

2024/25 Plan	Performance
Target: 5,333 home water and energy saving retrofits each saving c.25 litres per property per day (total 133,325 l/day) **Outcome: Exceeded action plan commitment by 32% on total water saved. 4,007 delivered saving 43.23 litres per property per day, saving a total of 176,248 l/day.**	This programme targets visits at highest users with enhanced focus on personalised behaviour change and longer term follow up. The Water's Worth Saving programme is our most complex, dynamic, multifaceted, and ambitious retrofit scheme yet. This new strategy allows us to maximise the water savings achieved per visit. We have worked with academia through the design, implementation, and delivery of the programme to make sure it was both built and delivered using behaviour change and social practice theory to ensure sustainable behaviour change.
Target: 3,500 leaking toilet repairs each saving a minimum of 215 litres per property per day. **Outcome: Exceeded action plan commitment by 41% on total water saved. 4,942 leaking toilet repairs saving 215 litres per property per day.**	This continued scaling up of the leaky loo programme was a result of targeted advertising with new developments, identification of continuous flow from smart metering and enabling customers to video their toilet so we can check if it is leaking, working in partnership with Vyntelligence.
Target: Continue to engage schools and stakeholders to increase the use of online resources for primary schools teachers on The Ripple Effect. **Outcome: We engaged 1,706 pupils across our supply area through half-day workshops. A competition and webinar to promote engagement with the content widened the engagement with the content.**	In-school delivery had to stop as schools closed in 2020, so we quickly pivoted our educational offering to an online platform accessible to teachers, parents and carers of Key Stage 2 children. The Ripple Effect is an innovative, interactive website that explains the principals of the water cycle and water use in age appropriate language and delivery. Workshops were held in the summer term of the 2023/24 academic year. Led by expert facilitators, 58 free 'Water Tracker Training Camp' workshops were delivered to 29 schools across the NWG area, reaching 1,706 pupils.
Target: c.12,000 bespoke water saving kits to homes **Outcome: We distributed 12,000 water saving kits**	Bespoke water saving kits were provided to homes in the ESW and the NW regions.
Target: c.40,000 online digital water efficiency engagements **Outcome: We engaged 40,000 customers through our water saving website, water calculator and pledges.**	Core to this was the implementation of an innovative online survey/calculator that customers can use to understand more about their water consumption, how it links to energy consumption and offers a personalised report detailing key actions they could take and the associated benefits.
Target: Pilots and tests of water efficiency advice, product installation and leakage repair at point of smart meter installation to understand the best method of delivery and impact. **Key Outcome: 633 flow regulators fitted at point of Smart Meters installation.**	We have installed an additional 633 flow regulators with Smart Meters sending usage data so now a total of 2000. We are utilising this data to better understand water savings along with modelling premise and socio-economic characteristics so we can, best understand where to install devices in future to realise the biggest savings. Savings in early pilots were measured at 21 litres per property per day. However, we expect with property selection through data modelling, average savings will significantly improve. These savings have a positive impact on customer bills, water demand reduction and reductions in our carbon footprint. We are early adopters of this new

	and opportunity-filled technology and we will continue to test and learn, adapting our delivery model as we increase knowledge and understanding of impact. We have also begun a trial of LeakBot, a technology which will support identification of internal leaks and provide guidance of how to resolve. We see this as a potential solution to areas where Smart meters will arrive in later AMPs.
Funding and actively contributing to three water efficiency related programmes from Ofwat's Water Breakthrough Competition Challenge and awaiting the outcome of another	**£3.8m Fair Water** If we are going to reduce the amount of water and energy that we use, then we will need to find different ways of carrying out these tasks, perhaps by using different products or devices installed in our homes, or simply through making small changes to our behaviour. We're working with our partners on the Fair Water project, to develop solutions tailored to individual circumstances and characteristics. See https://www.nwg.co.uk/fairwater for the latest. **£1m Water Literacy** We are leading the Water Literacy Programme, which aims to raise awareness of the value of water through an accredited learning experience. Working with core partners Waterwise and Groundwork East (and a wider consortium of eight further partners), we will address the lack of awareness and understanding water use and drive sustained behaviour change. The 2.5 year programme is in the mobilisation phase. **£300k Water efficiency in faith and diverse communities** We are contributing partners in an 18-month project on water use relating to faith in association with Cambridge University and South Staffs Water. The project kicked off in May 2023 and seeks to establish a deeper understanding and evidence base on how water is used and valued in different faiths and cultures. It also aims to develop a more inclusive and comprehensive water efficiency engagement and support framework which water companies can adopt in future
A water efficiency related sprint at the 2024 Innovation Festival	In the 2024 Innovation Festival, we lead a sprint focused on how to encourage customers to find and fix leaks identified through smart metering. This was a joint venture between the water efficiency, smart metering, and digital teams and was sponsored by Calisen and Advizzo. The final output was an interactive video solution which would work like a *Choose Your Own Adventure* book, designed to diagnose, triage, and offer resources to guide a customer to resolve their customer-side leaks in a tailored and personalised way.

We have also:

- Led and chaired the 'task and finish' group focused on building the evidence and case for the co-delivery of water and energy efficiency (now aligned to Strategic Objective 7 of the new national Water Efficiency Strategy 2030).
- Chair the Water Efficiency Collaborative Fund Board, a £100k research fund contributed to by all water companies to further all our aims of reducing PCC. This has led to create an industry wide, planning and delivery framework for water efficiency home visits, established a Water re-use champion with University of Exeter, creating joint water & energy efficiency training.

We remain committed to long-term targets to reduce PCC to 118 litres per person per day by 2040 and 110 by 2050.

We continue to advocate the use of metering as an effective means of reducing consumption and hence increased meter penetration will continue to be a vital element of our strategy. In line with this our 2025-30 plan proposes compulsory metering in our Essex & Suffolk operating area. Our Northumbrian operating area is not sufficiently water stressed for compulsory metering to be permitted - here we will continue to promote the benefits of metering to our customers, however for the time being will be reliant on customers opting for a meter. This reduces the level of control we have over the number of meters which will be introduced, and in turn the certainty with which we can expect to deliver the associated reductions in consumption.

Unplanned Outage

We have achieved this PC. We have significantly improved our performance across the five year period, with 1.95% in 2024/25, against Ofwat's challenging target of 2.34%. This marks a significant improvement from the first year of this AMP when our performance was 5.69%.

Every day we discuss how best to look after the treatment of water and the control of its distribution around our network. We look to minimise the time of any unplanned, or planned treatment issue and over each year we are tested by the weather. However, unplanned outage performance is largely affected by whether or not small numbers of events occur year to year.

This year, long running outages at Fulwell (Northumbrian Water), Roding Well and Stifford Well Water Treatment Works (Essex & Suffolk Water) have made up a significant proportion of the overall unplanned outage this year. We have commenced work at Fulwell and Stifford Well, with funding allocated in AMP8 to Roding Well.

We saw a particular improvement in the period from September to December 2024 compared to the previous year. In 2023-24, this period included a failure of a desludging arm at Lartington and outages at Langham Works resulting from filter blockages caused by borehole debris. The absence or large, extended events in this period can explain the reduction in our unplanned outage.

As we continually strive to reduce unplanned outage performance, we have improved our internal reporting mechanism through simplifying the data collections process and implementing regular meetings and outage reviews to support a better understanding of causes and ensure accurate reporting. We also remain focussed on proactive maintenance, continued operator asset care and delivery of future investment to our water treatment assets to continue our strong performance.

We can confirm that that the reporting methodology used to provide these figures is consistent with a 'green' (I.e. compliant) assessment against each component.

Water supply interruptions (1 to 3 hours, > 3 hours and > 12 hours)

We have achieved two of our water supply interruptions targets for this year, interruptions over three hours and over 12 hours. We did not achieve our challenging interruptions one to three hour target.

An interruption to the water supply can occur on a planned basis when we carry out network maintenance or unexpectedly when a burst or other failure occurs in the network. We recognise that interruptions to the water supply can cause our customers real inconvenience - especially when they are unexpected, and we cannot warn customers in advance. We put our customers at the centre of our response to a supply interruption and despite failing the targets expect our performance to remain in the upper quartile of the industry. Our focus is to restore our customers supplies before undertaking any permanent repair, while always taking a balanced approach to other considerations such as environmental protection and the health and safety of our team and the public.

We achieved 4 minutes 40 second for against the industry 5 minute target for water supply interruptions over three hours. Only eight of our supply interruptions in the year contributed to more than five seconds. Our performance over the 2020-25 period has been approximately 4 or 5 minutes with the exception of storm affected years, which puts us in a leading position against other WASCs.

We have been able to minimise the impact of supply interruptions over 12 hours on our customers, reporting only 223 properties affected against a target of 400. Over the year we had 29 supply interruption events exceeding 12 hours. Our most significant event of the year occurred in January 2025, when a 10-inch main burst affecting properties in the rural villages of Wark and Simonburn in Northumberland. Using a tanker we were able to bring 250 properties back into supply within 9 hours. However, due to the elevations of the rural area the tankered supply was not sufficient to restore the remaining 37 properties affected. The restoration of the water supply to these properties took 14 hours, once the repair was completed, and air had been purged from the network. While the repairs were ongoing, we were active in the area delivering bottled water to customers.

Many of our interruptions over 12 hours affected single properties. We have focused on improving our relationships with our contractors to help minimise the impact of planned works; emphasising the importance of limiting supply interruptions and sharing learnings when work does not go to plan. We have also introduced additional control measures such as the requirement for time stamped photos at the point of supply restoration.

Lastly, our we did not achieve our target of 7 minutes 27 seconds for our industry leading supply interruptions 1 to 3 hours measure. Our performance was 8 minutes 35 seconds. This measure has proved extremely challenging, as we have not been able to reduce the number of supply interruptions occurring, and when they occur this shorter time frame has proved difficult to achieve. This is despite deploying mitigations such as temporary storage, overland supplies and rezoning of our network. We remain committed to reviewing and learning from past supply interruption events to inform how we can improve. We will continue to use this information and data to help us continually prioritise and understand the benefits of our future mains renewal schemes in AMP8.

During unplanned supply interruption events we continue to deploy temporary mobile storage tanks to keep customers in supply, as well as continue to implement options to rezone our distribution network or install temporary overland supplies. Similarly for planned work we look to use these mitigations proactively to minimise customer impact. We always aim to ensure the customer impact of a supply interruption event is minimised as much as possible. This year we have completed the roll out of our mobile storage units in Suffolk, ensuring deployable readiness across all our operational areas.

Leakage Northumbrian Water (NW) and Essex and Suffolk Water (ESW)

We saw leakage in ESW rise slightly in 2024/25 to 54.7 MLD (annual), compared to 50.8 MLD in 2023/24. The three year average for 2024/25 was 53.7 MLD which beats our target of 56 MLD. Over the five year period we have a 17.6% reduction in leakage in ESW against our target of 14.1%.

In NW, leakage has reduced to 117.1 Ml/d in 2024/25, achieving our 3 year average target of 118.6 MLD exactly. In combination we have achieved a 3yr average leakage level of 172.3 Ml/d – lower than a combined target of 174.6 Ml/d

ESW

Despite exceeding the AMP7 performance commitment target of a 14.1% reduction by over 3% (17.6% in total), the reporting year of 2024-25 has proven to be challenging. Leakage values increased through a warm but wet summer, in contrast to previous years where significantly hotter, drier weather caused wider outbreaks.

The arrival of winter saw two freeze/thaw events occur, which significantly increased leakage levels. Efforts are still ongoing to recover the leakage position before these events; however, a high average DMA availability value of 96% has helped to reduce their impact. The predicted performance usually puts ESW amongst the top three companies in the league table for leakage, and this is expected to continue for 2024-25.

There have been considerable improvements in how areas are identified and promoted for operational activity, with the implementation of Crowder Consulting's NetAlytics platform. This has allowed the NW and ESW operating regions to align processes and make cross-region working and resource-sharing much more efficient.

In order to start the next regulatory reporting year in the best position possible, we employed additional fix resource in January 2025 to reduce the number of repair jobs outstanding following the winter outbreak. We are also recalculating the upstream leakage value based on the Burst and Background Estimate (BABE) methodology to reflect up-to-date data.

NW

This reporting year has proven to be challenging for leakage so we are proud of the leakage reduction we have made in AMP7 and our achievement of our target this year.

Leakage values remained static through a warm but wet summer, in contrast to previous years where significantly hotter, drier weather caused some localised outbreaks.

The arrival of winter saw two freeze/thaw events occur, which significantly increased leakage levels. Significant extra efforts were required to recover the leakage position The predicted performance usually puts NWL in the middle of the WASC league table for leakage, and this is expected to continue for 2024-25.

There have been considerable improvements in how areas are identified and promoted for operational activity, with the implementation of Crowder Consulting's NetAlytics platform. This has allowed the NW and ESW operating regions to align processes and make cross-region working and resource-sharing much more efficient.

Crowder has also assisted us with total ownership of System Zone 9 in North Durham, where analyst and field resources delivered significant leakage savings before the freeze/thaw period hit.

The ability to conduct short-term "lift and shift" acoustic logging in NW is now a reality following the creation of an in-house logging team, similar to that of Essex.

Additional projects undertaken later in the year to arrest leakage increases include pressure management reviews with Utilitec, surveys using Ovarro's EnigmaREACH solution and FIDO Direct, and the recalculation of the upstream leakage value based on the Burst and Background Estimate (BABE) methodology to ensure we continue to reflect strategic leakage as well as possible.

Reporting Methodology

We have a 'green' status against the majority of 'components' in Ofwat's leakage reporting methodology, with only 1 Amber component – which only applies for NW.

This relates to the size of the NW Water Balance Gap which is 2.9%. We do not consider that this has a material impact on the accuracy of our reported leakage because:

- The water balance gap has been allocated to the various water balance components – including leakage - using the best practice MLE methodology, which allocates the unaccounted for water across the water balance components according to their relative accuracy, that is components considered to be less accurate (with a worse 'confidence grade') are given a higher allocation.
- Sensitivity analysis shows that reported leakage is not especially sensitive to the confidence grade used for the leakage component, that is if the confidence grade for the leakage component is artificially worsened (so that a greater proportion of the gap is allocated to leakage) it does not have a material impact on overall reported leakage.

Visible leak repair time (days)

Customer-reported leaks were repaired in an average time of 5.8 days in 2024-2025, from the point of initial contact to the stopping of the leak. As a result, the performance commitment of 4 days has been missed.

We included this measure to incentivise us to reduce the time it takes to repair customer-reported visible leaks as customers told us it was important to them for us to reduce the amount of water wasted through leaks. We recognise that particularly during times when we are asking customers to be mindful of their own personal consumption, they want to know that we are working hard to minimise leaks.

Despite starting the year well (under 5 days in April and May), performance suffered through the cooler, wetter summer period and was never recovered moving into winter, where two freeze/thaw events compounded the drop.

Whilst we haven't met our target of four days, we achieved 4.5 days in 2023/24 and our performance of 5.8 days represents a 40% reduction in time compare to 9.7 days in the first year of reporting (2020/21).

We recognise that there are more improvements to be made, and the metric will remain internally reported for AMP8 despite not being a regulatory measure. We have continued to be proactive in triaging and resolving customer reported leaks. Our use of 'No Dig' technology continues to grow, specifically to repair visible leaks arising on communication pipes and ancillary assets, with a view to applying to larger distribution pipes in the near future.

Mains repairs (bursts)

We have repaired 122.6 mains bursts per 1,000km, which is below our PC of 123.4. We will receive a reward of £0.08M.

This year we had a cooler, wetter summer period where we did not experience a significant summer peak in the number of mains repairs completed across our operational areas. Had the summer been more typical we would have out turned very close to PC. In addition, in January 2025 we completed 590 mains repairs across our operational area, which was the highest number of repairs in any month during the period 2020-2025. We remain focused on improving our asset health in AMP8.

In 2024/25 we replaced approximately 51km of distribution main in the Northeast and 37km of distribution main in Essex and Suffolk. We are continuing with our work regarding pressure management, investing in new control equipment and optimising existing assets to reduce mains bursts. Our rolling programme of employee training regarding calm network operations continues.

We have noted an error in our mains length between 2021 and 2024 which has affected the values of our reported performance for mains repairs (due to mains repairs normalised by mains length). The reported mains length in these years mistakenly included communication pipe lengths, which does not align with Ofwat's definition[5]. Our re-stated figures for mains repairs now use the length of mains without communication pipes.

As per the table below, we note while the change in mains length has revised our performance scores between 2021 and 2024, only one year, 2022/23 saw a change in the value of the ODI payment. The performance in the remaining two years remained ahead of our reward cap after the revised lengths were used resulting in no change to the ODI payment.

[5] https://www.ofwat.gov.uk/wp-content/uploads/2018/03/Reporting-guidance-mains-repairs-per-1000km.pdf

Measure	2020/21	2021/22	2022/23	2023/24
Mains Repairs	3,335	2,629	4,097	2,542
Mains length inc Comms Pipes	26,252.8	26,366	26,450.59	26,536.79
Mains repairs per 1,000 km	127.0	110.9	154.9	109.4
Old ODI £m	1.45m	1.41m	-3.35m	1.33m
Mains length exc Comms Pipes	26,252.8	26,127.02	26,208.88	26,289.13
Mains repairs per 1,000 km	127.0	111.9	156.3	110.4
New ODI £m	1.45m	1.41m	-3.56m	1.33m

We propose to add this corrected penalty amount in 2022/23 into our 2024/25 ODI model, so that whilst we indicate achieving the PCL for mains repairs this year, we will include an override in the ODI value to correct for the missed £0.2m of penalty.

Abstraction Incentive Mechanism (AIM) - PR19NES_BES18

Our PC in this area (the number of days beyond the collar level) is zero. We did not trigger this measure as Ormesby Broad water levels were managed to remain above the AIM water level trigger point despite summer rainfall being below average (with June and July around average and August significantly below).

Our AIM measure has not been triggered in the current reporting period 2020 to 2025, with it only been triggered once, in 2018, when summer rainfall was around 50% of long-term average.

We report the number of days in our WRMP Annual Review which we submit on 30 June. The Annual Review is then approved each year by the Environment Agency.

The performance for this year, with AIM not being triggered, is as expected, with downward pressures on Broad water level (from variable summer rainfall and high temperatures, increasing evaporation losses) being outweighed by below average abstraction due to water quality reasons.

Each AIM measure is bespoke to a particular waterbody, so results are not directly comparable across water companies.

CASE STUDY: UPGRADING AND FUTUREPROOFING OUR WATER SUPPLY NETWORK

Challenge

We aimed to upgrade and futureproof our water supply network to ensure reliable and high-quality water delivery for our customers. The existing network, which has served the south of County Durham and the Tees Valley for over 100 years, needed significant improvements to enhance resilience and meet the growing demands of the area. Additionally, we wanted to ensure that our efforts were environmentally responsible and contributed to the sustainability of our operations.

Action

To address these challenges, we launched 'Project Pipeline: County Durham and Tees Valley,' a £155 million investment programme. This multi-year project involves installing entirely new pipelines and replacing sections of the existing network. We worked closely with environmental and ecological experts during the planning phase to ensure that biodiversity on-site is either enhanced or restored, and that the environment is protected during project delivery.

Impact

The investments made through Project Pipeline have significantly improved the resilience of our water supply network. More than 200,000 customers in County Durham and the Tees Valley are benefiting from the upgraded infrastructure, which ensures reliable and high-quality water delivery for generations to come. The environmental measures taken during the project have helped protect and enhance biodiversity on-site.

These benefits will add to those delivered in the Essex area, where we have constructed a pipeline to transfer untreated water from Layer-de-la-Haye Water Treatment Works to the existing reservoir at Langford Water Treatment Works. This £20 million investment has installed 19km of new pipeline, linking and balancing the use of water resources in the northern and southern parts of Essex. The pipeline will provide enhanced resilience during drought and hot weather periods and support the water supply for more than 370,000 customers.

Moving forward, we will continue to monitor and maintain the upgraded network to ensure it meets the needs of our customers and supports our commitment to environmental responsibility. The success of Project Pipeline demonstrates our dedication to delivering high-quality water services while protecting the environment.

OUTCOME 8: Our drinking water is clean, clear and tastes good

AMBITIOUS GOAL: Promote confidence in our drinking water so that nine out of ten of our customers choose tap water over bottled water.

Our performance commitments for this Outcome are as follows:

• **Water quality compliance (CRI)** – CRI is a common, penalty-only, calendar year PC using a risk-based monitoring methodology, which assesses water quality compliance against our statutory obligations. (Reference **PR19NES_COM03**)

• **Event Risk Index (ERI)** – this is a bespoke, penalty-only, calendar year measure and this PC incentivises us to promote a proactive approach to risk mitigation of water quality events, including understanding the impact of events on customers. Events are assessed by the Drinking Water Inspectorate (DWI), and the assessment considers the seriousness of an event, our response, the population impacted, and the duration. (Reference **PR19NES_BES13**)

• **Discoloured water contacts** – this is a bespoke calendar year measure that reflects the number of times we've been contacted by customers due to the appearance of their tap water not being clear, per 10,000 population. The appearance measure covers seven contact types including discolouration (brown/black/orange and blue/green/pink), aerated water, particles, and general conditions. (Reference **PR19NES_BES11**)

• **Satisfaction with taste and odour of tap water** – this bespoke measure reflects the number of times we've been contacted by customers to report perceptive issues with the taste or smell of their tap water, per 10,000 population. We want our customers to be satisfied with the taste and smell of our tap water. (Reference **PR19NES_BES12**)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Water quality compliance (CRI)	0	7.11	6.36	7.62	3.45	10.94	-£11.152m	LQ
Event Risk Index (ERI)	10.800	197.592	289.699	166.907	137.891	323.100	-£0.278m	n/a
Discoloured water contacts (per 10,000 population)	7.44	8.22	8.42	7.85	6.88 (3131 actual)	7.18 (3,282 actual)	£0.228m	n/a
Taste and smell contacts (per 10,000 population)	2.02	1.75	1.89	1.75	1.70 (776 actual)	1.73 (789 actual)	£0.255m	n/a

Water quality Compliance Risk Index (CRI)

Our CRI was 10.94 against a PC level of 0, incurring a penalty of £11.15million. This is an increase in CRI and penalty from our improved performance in 2023 (3.20).

The majority of CRI (86%) is attributed to a small number (9) of technical breaches of quality standards at water treatment works (WTW), none of which had any impact on, or posed any risk to, our customers.

When a failure occurs at an asset or in a supply area that is subject to an agreed programme of work with the Drinking Water Inspectorate (DWI), the DWI's compliance assessment will increase the associated CRI score. In 2024, this effect increased the CRI total 8.86 units at WTW alone.

We have a robust and rigorous investigation process following any of these compliance failures, with any areas for potential improvement tracked and actioned accordingly. Any transferable improvements and learnings are shared across our sites in both of our operating regions.

At Lartington WTW, for example, two turbidity compliance breaches were detected from 365 samples taken with a combined CRI impact of over 3.4 units. Improvements have been made to the sampling arrangements on site and learnings disseminated across the business.

We continue to prioritise our efforts around water treatment where CRI risk is highest, and areas of focus include filter media refurbishment, carbon regeneration, and water quality minor works activities such as on-line monitoring capability to increase resilience and control of the treatment processes.

In line with our agreed programme of work with the Drinking Water Inspectorate (DWI) specific to WTWs our Hazard Review Process has continued at pace. To date all of our WTWs have been reviewed and over 30% of 2,700 identified improvements made. These range from process optimisation and minor changes of activity on site to significant investment such installation of a new PAC plant at Lartington.

These improvements and our investment strategy throughout AMP 8 is aligned to ascertain risk reduction across our asset base. Both short term measures and longer term proposals are being developed to account for the impact of climate change which poses specific risks in terms of raw water deterioration.

Around 81% of the sample failures recorded in 2024 were at customers' taps at the point of use. The majority of these results were due to internal plumbing or the property supply pipe and have a negligible impact on CRI. In these circumstances, we work closely with the customer to understand the issue and determine a root cause.

Support for the customer can take several forms, including the issue of precautionary advice and bottled water while investigations continue, education and awareness on tap hygiene and cross contamination in the home, and the replacement of lead communication pipes supplying a property where the risk is shown to be elevated. Our aim is to make sure customers retain a high level of trust in the tap water we provide.

Metals failures (iron and aluminium) which could not be attributed to a specific property make up the majority of the 1.697 CRI units of the total company CRI score. As for WTWs, formal investigations are carried out into each of these breaches and actions have included short term flushing campaigns to support our planned flushing programme and local mains replacements.

We continue to improve in this area through pipeline management (strategic mains conditioning) and our local distribution flushing programmes to remove historic mains sediment to reduce the risk of failure. We are also looking for innovative techniques to improve our flushing capability / efficiency further by taking on board methodologies utilised in Europe. In 2025, alongside two other water companies we are looking to trial a technique which involves using pulses of compressed air accelerated to shear velocities in the pipe to provide a comprehensive cleaning method, which also has the benefit of reducing water required for current flushing practices.

There have been a similar number of service reservoir (SR) failures in 2024, nine, compared to eight in 2023, which was an improvement of fourteen in 2022. We are continuing with the enhanced programme of treated water storage tank inspections to mitigate risks identified at these sites which will lead to long term sustained improvement in this area.

Our smart network innovation has continued throughout 2024. The water quality sensor network in Teesside is currently the largest application of this type in the United Kingdom and is supported by Ofwat catalyst funding. We have already seen the benefits of this real time data in allowing us to alter network operation to improve our customer experience and we are looking to expand this process to other operational areas in 2025.

Although we have seen a decrease in CRI performance in the last year, we are disappointed not to hit our high standards in this area, we remain committed to achieving industry-leading performance and are delivering our long-term plans to reach this; this includes working closely with the DWI. We've accelerated funding in our base capital programme as part of a transformation plan. As our capital work continues and plans for AMP 8 develop, we hope to see short, medium and longer term improvement in our performance over the coming years.

Event Risk Index (ERI)

This is a bespoke, penalty-only, calendar year measure and this PC incentivises us to promote a proactive approach to risk mitigation of water quality events, including understanding the impact of events on customers. Events are assessed by the Drinking Water Inspectorate (DWI), and the assessment considers the seriousness of an event, our response, the population impacted, and the duration.

Our ERI score of 323.100 is a deterioration on our 2023 performance of 84.049.

During 2024, 37 events were notified to the DWI for assessment, compared to 29 in 2023. The increase was influenced by 14 events at individual properties or discrete clusters and the issuing of Do Not Drink or Do Not Use advice notices.

Our customers are supported throughout this process with alternative water provided, regular communications and investigations on site. The root cause of these issues is in almost all cases due to internal plumbing issues such as lack of backflow protection from appliances such as washing machines or tap hygiene. Other factors can include if properties have oil storage on site which can influence taste or odour perception.

The most significant ERI units (58.942) were attributed to a single microbiological detection at Layer WTW. A full investigation was carried out, including review of treatment performance and inspection of treatment and storage assets on site. In this case, despite there being no actual impact on customers, the score is heavily impacted by the large number of customers potentially supplied by the WTW (over 1 million population served).

There were seven events linked directly to customer contact and aesthetic factors (appearance and aeration). These are related to discrete short term impacts on our network, typically from burst mains which can change flow and pressures in the mains. These events initiate a multi-disciplinary response, including repair, supplying from an alternative source if required, flushing regimes, regular communications and working with individual customers to support where required.

We're committed to continue to improve on ERI performance by investing in our assets and operational processes.

Discoloured water and taste and smell contacts

We achieved our target for our appearance contacts measure in 2024/25, reporting 7.18 per 10,000 contacts (3,282) against a PC of 7.44.

We've continued to perform better than our PC for the tenth year in a row. Our plan continues to focus on discoloured water – brown, orange or black, which is our major contributor of contacts to this measure. Very occasionally, and for a short time, customers' tap water may appear discoloured. This is caused by the disturbance of harmless material in our water supply network, possibly caused by a burst, leak or third-party activity. We tackle this through a source to tap approach, minimising metals leaving our treatment works and managing any material which enters the network through several different activities.

We have a programme of work agreed with the Drinking Water Inspectorate (DWI) to improve the number of trunk mains in which flow can be raised in a controlled manner with less risk of disturbing mains material and causing discolouration in downstream supply areas. We have so far conditioned around 50% of the strategic mains identified for this technique and are continuing to identify mains where this process can be undertaken.

Flushing of smaller sized pipes closer to customers is a key enabler for this measure as well as investigations into how to improve the other contact types such as water coloured white due to aeration. This year, we exceeded our targets for flushing across the three operating regions. Over 4000km of pipe was flushed in the calendar year supplying over 453,000 properties and we are continuing this approach into 2025.

This year, we've continued to increase the number of text messaging and email alerts to cover the different contact types to inform customers when we are either carrying out planned work or are aware of an issue where the potential cause is under investigation. These alerts allow our operational teams to respond in a timely manner. We continue to put a lot of emphasis on employee training, to make sure we are using the correct operational techniques, which we know helps to manage the number of contacts we receive while we work on the network. We've supplied training to third party contractors to also help manage the number of contacts we receive.

We received 1.73 per 10,000 population (789) taste and smell contacts in 2024. This level of performance is better than the upper quartile (top 25%) threshold, and better than our stringent PC of 960 contacts. An outperformance reward of approximately £0.255M is payable for this measure.

Water supplies for most areas routinely come from the same source. However, to carry out asset maintenance, or in response to reactive issues like a burst pipe, water to an area can be re-zoned through a different route or come from a different source treatment works. We know that customers can be sensitive to changes derived from these actions and may choose to contact us to report a perceived change in taste or odour to their supply. The drinking water we supply is very high quality, but occasionally some of our customers perceive different tastes or odours.

This could be due to:

- The use of chlorine to maintain good hygiene in our water supply network.
- A change in where a customer's water comes from, or how it is treated.
- Issues with a customer's own plumbing inside their home.
- A change in a customer's perception, influenced for example by moving home to a different area.

Alongside operational management of our supplies, we make good use of text messaging, the company website, and social media streams to help inform, support and manage the expectations of our customers around taste and odour in line with the above themes. We are continuing to work closely with the customer team, providing feedback and supporting training.

Our Water Quality Inspector project in the Tees system (supported by Ofwat catalyst funding) is progressing well and we are looking to build on this in another part of the network in the Northumbrian Water area. Its aim is to use online water quality monitors in both the strategic and local distribution networks to identify changes in water quality parameters, providing insight to support investigations into water quality changes which may influence the taste and smell of the water, as well as its appearance. The project also incorporates leakage data to understand synergies with water quality and includes customer behavioural research to understand how the future customer wants to interact with water quality information.

CASE STUDY: ENHANCING WATER QUALITY THROUGH PIPELINE MANAGEMENT

Challenge

We faced a significant challenge in managing the risk of discolouration in trunk mains. Discolouration can occur when flows change suddenly, such as during a burst or rezoning. This issue not only affects water quality but also leads to customer dissatisfaction. The traditional reactive approach, where conditioning was done in response to customer contacts, was not effective in preventing discolouration.

Action

We implemented a Pipeline Management (PLM) strategy. PLM involves increasing flows in trunk mains in a controlled way on a pre-planned frequency while monitoring the impact downstream. This conditions the pipes to handle higher flows and reduces the risk of discolouration. In our first full year, we conditioned 140km of strategic mains in over 20 separate exercises. We surpassed our target of 40%, finishing with 46% of our trunk mains in the North regularly conditioned. This year, we have set an ambitious target of 65-70%.

We measure our progress using the new SCADA PLM dashboard. For each main we have a target flow and flow meter. If flows go above target flow, it starts recording time and if it reaches the target time (two pipe turnovers) it is then marked as complete and valid for 90 days. This industry-leading approach allows us to quantify conditioned mains in our network and proactively reduce the risk of discolouration by holding a conditioning exercise weekly.

Impact

The implementation of PLM has had a significant positive impact. Our aim is to reduce customer contacts for discolouration by approximately 270 each year, which is around 10%. For example, at Barlow Reservoir in the Honey Hill supply area, the water quality improved significantly, with the turbidity levels dropping from nearly 5NTU in June to 0.5NTU in November with the same flows. (NTU is Nephelometric Turbidity Unit, used to measure the turbidity, or cloudiness, of water. High turbidity makes water appear dirtier). The CarrHill link main water pumping station (a pumping station in Gateshead that is crucial in having the ability to transfer water from Tyneside into Sunderland when needed) had been out of service for several years. Flows were gradually built up over a six-week period to reach 40Ml/d, with turbidity staying within thresholds. This was a landmark achievement for the site as the ability to transfer these flows into Sunderland is vital at times.

At North Charlton Inlet, on our first visit, we saw turbidity reach 6NTU off the Northern Trunk Main. In our latest exercise, turbidity was reduced to 0.5NTU, showing a welcome improvement in reducing background turbidity in the area. Overall, our first full year with a dedicated team on PLM has been a success. The estimated benefit in Year 1 is around 100 contacts, rising to nearly 300 contacts by the end of 2030.

OUTCOME 9: Our sewerage service deals with sewage and heavy rain effectively

AMBITIOUS GOAL: Eradicate sewer flooding in the home as a result of our assets and operations.

Our performance commitments for this Outcome are as follows:

• **Internal sewer flooding** – this is a common performance commitment with financial incentives associated with under and out performance. The performance commitment records the number of internal sewer flooding incidents per 10,000 connected properties per year. (Reference **PR19NES_COM08**)

• **Repeat sewer flooding** – this is a bespoke performance commitment with financial incentives associated with under and out performance. This measures the number of incidents where properties have flooded internally more than once in the last five years. (Reference **PR19NES_BES17**)

• **External sewer flooding** – this performance commitment records the number of external sewer flooding incidents per year. This is also a bespoke measure with a financial incentive applied for under or out performance. (Reference **PR19NES_BES16**)

• **Sewer blockages** – This is a bespoke measure with financial incentives associated with under and out performance. This records the number of sewer blockages per year. (Reference **PR19NES_BES15**)

• **Risk of sewer flooding in a storm** – This is a common performance commitment with no financial incentive. This records the percentage of population at risk in a 1 in 50 year return storm as defined by hydraulic modelling. (Reference **PR19NES_COM11**)

• **Sewer collapses** – This is a common measure with an associated penalty for under performance (we do not earn a reward for outperformance). The measure is a count of the number of sewer collapses we report per 1,000 km of sewer that have not been identified proactively and which cause an impact on service or on the environment. (Reference **PR19NES_COM14**)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Internal sewer flooding (per 10,000 connections)	1.34	1.89	1.84	1.21	1.21 (159 actual)	1.03 (136)	£0.479m	Better than UQ (2nd)
Repeat sewer flooding	37	25	23	20	24	20	£0.937m	n/a
External sewer flooding	2,647	3,862	3,454	3,018	2,764	2,431	£0.931m	n/a
Risk of sewer flooding in a storm	22%	16.11%	16.11%	16.11%	16.11%	16.11%	n/a	LQ
Sewer blockages	10,600	12,023	11,991	10,949	9,733	9,020	£1.232m	n/a
Sewer collapses (per 1,000km of sewers)	8.13	9.82	8.71	9.29	8.39	7.33 (222 actual)	£0	AVG

Internal sewer flooding, External Sewer Flooding, Repeat Flooding & Sewer Blockages

We are very pleased to have achieved all four of these performance commitments for the second time in the reporting period 2020 to 2025.

We reduced our internal sewer flooding incidents by 14% on the previous reporting year, and by 71% since 2019/20 (from 472 incidents to 136). Our performance improvement during this investment period means that we are now a leading company for our internal sewer flooding performance.

We continue to outperform our target against repeat sewer flooding incidents, reporting 20 incidents in 2024/25 against a target of 37.This level of performance has been delivered despite two periods of significant rainfall that hit parts of our region in April and October 2024. This rainfall, combined with the effects of surface water and coastal flooding unfortunately resulted in a number of repeat sewer flooding incidents occurring for a small number of our customers which has significantly impacted our performance this year. We have ongoing work to reduce the risk of flooding to these properties in the future. Despite this we are pleased to be able to report that repeat incidents have fallen across the period from 2029/30 by 74%.

We have achieved our target for external sewer flooding, reporting 2,431 incidents against a target of 2,647. This is a further improvement of 12% on last year. Overall, since the end of 2019/20, we have reduced the number of external sewer flooding incidents by over 48% (4,697 to 2,431).

We have achieved our best performance across the reporting period for blockages, with 9,020 against our target of 10,600. We reduced our blockages by 7% on the previous year and by 25% since 2020/21, continuing to be one of the leading companies.

We achieved such a significant performance improvement through the success of our sewer flooding tactical plan. This plan focused on core areas identified from root cause investigations into our sewer flooding performance. These were:

- Operational improvements: Activities to improve the way we work to reduce incidents occurring that are within our control.
- Focused teams: Increasing technical and operational resources to ensure we have the right people available to respond to incidents, investigate root causes and fix problems identified.
- Customer education and communication: Focused interventions to help reduce the risk of sewer flooding because of sewer misuse (eg wet wipe use and disposal).
    - Our Bin the Wipe integrated marketing communications campaign has been successfully reducing the number of sewer flooding incidents related to sewer blockages since 2020 and has seen us engage with more than 800,000 households. The campaign combines education on the problems wipes can cause with on-the-ground action from our teams which enables them to speak to customers face-to-face. This successful combination has led to up to a 90% reduction in the number of wipes found in the sewers in some areas
    - In addition, our dedicated Fats Oils and Grease (FOG) team work closely with both commercial and domestic customers. We reported last year that we increased our resource and activity in both areas to further support performance improvements and to also sustain the benefits we have already seen. This activity is now starting to deliver positive results, for example we have seen a significant increase in FOG mitigation measures installed by commercial properties – up by 150% compared to the previous years.

- Smarter use of data and innovation: Using information we collect every day to help improve efficiency in our operational activities. This includes the use of the Vyntelligence tool in 2024/25, which use machine learning to pick out key words from the capture of video and audio footage on site. This tool will tag videos as evidence of flooding on site and present them in dashboards for a faster review and analysis of flooding type and root cause, to ensure we can provide the right service to customers more efficiently.

Despite this strong performance internal flooding, we are conscious of the impact sewer flooding can have and we continue to support affected customers with Guaranteed Standards Scheme (GSS) payments, as well as providing support and cleaning services post flood events.

We also continue to work closely with CCW on their joint sewer flooding activities and we have reviewed how we can enhance our service levels to all customers, particularly those have been worst affected, for example the small number of customers who have suffered repeat sewer flooding.

This review identified that we have reduced the risk in this area by 67% since 2019/2020. We would like to reduce this risk further and we have developed an action plan to enhance the level of service that we can provide in this area.

CASE STUDY: SEWER FLOODING TACTICAL PLAN

Challenge

Sewer flooding is one of the most severe service failures that our customers can experience. At the end of 2019/20, we were identified as a poor performer in this area by Ofwat. The Consumer Council for Water also reported an increase in both internal and external sewer flooding incidents over the past five years. To deliver unrivalled customer experience we needed to significantly reduce sewer flooding incidents.

Action

In response, we developed a Sewer Flooding Tactical Plan (SFTP) that focused on several key areas: operational improvements, focused teams, customer education and communication, and smarter use of data and innovation. Operational improvements involved enhancing the way we work to reduce incidents within our control. Focused teams increased technical and operational resources to respond to incidents, investigate root causes, and fix problems. Customer education and communication included interventions to reduce sewer misuse, such as the Bin the Wipe campaign, which educated customers on the problems caused by improper disposal of wipes. The smarter use of data and innovation involved using collected data to improve operational efficiency, including the introduction of CCTV surveys for blockages and the use of AI software for sewer condition assessment.

The plan also included enhanced governance and assurance measures, with weekly performance reviews by Directors and Senior Management, and annual approval by the Executive Leadership Team.

Impact

The SFTP has had a significant positive impact. Since 2020, internal sewer flooding incidents have reduced by 69%, external sewer flooding incidents by 49%, and repeat sewer flooding incidents by 73%. The plan has avoided a potential £96 million penalty and is forecasted to deliver a net reward of £4 million by the end of the investment period. Our performance for internal sewer flooding now ranks 2nd, up from 8th, and is considered leading. For external sewer flooding, we have improved to industry average, ranking 7th out of 10 companies.

Risk of sewer flooding in a storm

In May 2023 we published our final Drainage and Wastewater Management Plan (DWMP) and the modelling work we used to support this has helped us significantly reduce the percentage of properties we report to be at risk to significantly below our required PC level. Our percentage at risk is also significantly less than our required performance commitment for 2024/25, meaning we have already outperformed our PC in this area.

Despite our outperformance, we are behind in comparison to the rest of the industry. However, our final DWMP includes plans for significant investment to improve the capacity of our network. We will see wider benefits from our Storm Overflow Reduction Plan, which will improve the resilience of our network and further reduce flood risk.

Our [Long-term Strategy] also outlines our commitment to further reduce flood risk by 60% by 2050.

Sewer collapses (per 10,000km sewer)

We have achieved our PC for the year, having reduced the number of sewer collapses by **a further 12**% compared with last year. The 222 collapses repaired in 2024/25 represented a reduction of 24% since 2019/20. Despite our improvements and that we have continued to achieve our performance commitment year on year, our overall performance for sewer collapses is around the industry average and is a position we would like to improve in the future.

During the year we refreshed our tactical and operational approaches to investigating and reviewing sewer collapses. We have carried out detailed training with both our internal teams and our contract partners to ensure that the information and data we collect allows us to confirm the root cause of the issue, provide robust solutions as well as enabling us to make better informed strategic decisions to help reduce sewer collapses in the future.

The improved governance and rigour we have on our sewer collapse process has placed us in a really strong position for helping us to achieve the further 12% reduction we have committed to in our 2025/2030 business plan. Achieving this level of performance by 2030 will mean that we will be a leading company for sewer collapses.

THEME FOUR: LEADING IN INNOVATION

OUTCOME 10: We are an innovative and efficient company

AMBITIOUS GOAL: To be leading in innovation within the water sector and beyond

Leading in innovation

As one of our core company values, innovation is embraced, encouraged, and celebrated year-round. It fuels our drive to build a resilient, future-ready business, ensuring our operations remain reliable, efficient, and forward-thinking. Empowering people at every level is the key to unlocking breakthrough ideas. By encouraging a growth learning and curious mindset across the organisation, we are not only delivering on our ambitious business strategy but also cementing our reputation as a leader in innovation, both within and beyond the water sector.

We measure innovation in multiple ways across the business, as detailed in the below table.

Metric	Description	Target	18/19	19/20	20/21[6]	21/22[7]	22/23	23/24	24/25
Innovation funding	External funding secured (£)	>£500K	n/a	n/a	475K	11.77M	6.6M	10.2M	TBC
Pipeline Value	Potential worth of the pipeline/year	>£20M	5	15	27	37	66	90	154
Ideas in pipeline	#ideas in the pipeline	>50	42	56	70	87	109	81	145
Success Rate	% projects into business as usual	=40%	n/a	38	41	42	40	40	41
Innovation ambassador Group	# NWG ambassadors	All of NWG	14	47	71	82	96	155	185
Innovation Engagement	% employees actively engaged in innovation	>25%	-	-	-	20	25	26.2	26
IF participation	# attendees	>2500	2373	3311	2730	4000	2050	2500	3131
Employees at Innovation Festival	# employees part of the festival	600 (>20%)	328	484	645	439	610	690	800
External collaboration	# business/ organisations taking part in IF	>140	510	734	941	800	600	650	>650
Training	Training hours delivered	>12	23	46	400	256	>500	>500	>500
#sprints and hack	# sprints & hacks delivered at IF	>20	16	23	40	44	31	40	50
Unfiltered ideas	# ideas brought into the business	>300	334	615	2000	1675	1800	-	-
Social Reach	Social media reach at IF	>5M	4.1M	8.6M	15M	5.1M	3.8M	3.8M	5.3M

[6] Fully digital innovation festival
[7] Hybrid innovation festival

Innovation culture

During this period, we have continued to strengthen innovation capability, by embedding a culture that accelerates the development and implementation of high-impact solutions. With a focus on increasing both capacity and expertise, 26% of employees actively participated in innovation activities, exceeding our 25% target. This growth was supported by a network of 186 Innovation Ambassadors, extensive training programs delivering over 500 hours of learning, and engagement with more than 50 external speakers who shared insights and cross-sector expertise. In addition, strategic investment of over £180K in proof-of-concept projects has enabled the business to explore novel solutions with real potential for transformative impact. Our commitment to fostering innovation has once again been recognised externally, with Northumbrian Water rated as the UK's leading water company for innovation appetite in the British Water Supply Chain Survey and by independent analysts.

Our annual Innovation Festival saw record participation, with 800 employees actively contributing, reinforcing our commitment to a collaborative innovation culture. Innovation updates were shared monthly through our Innovation Connect newsletter, which now reaches an audience of over 6,000 readers, ensuring broad engagement across the business and beyond.

Our innovation expertise was in high demand throughout the year, presenting at 53 industry events, including showcasing the outcomes of Ofwat-funded projects. Our thought leadership continues to gain momentum across key platforms such as LinkedIn, as well as through regular podcast and journal features, positioning us at the forefront of industry discussions. Our reach was truly global with the attendance at Singapore international Water Week and International Water Congress Toronto, with the events identifying 52 strong technology leads.

We have also made significant progress in embedding ISO 56001 systematic innovation management, with 13 team members and ambassadors successfully completing training. This framework is now being deployed across our innovation processes, supported by the latest digital tools that enable an automated, mineable, and easily reportable innovation pipeline, streamlining how we track and scale new ideas.

Innovation Festival

The Innovation Festival returned for its eighth year, with the theme of speed and scale. This was our largest, most attended and most successful event to date. With >3000 attendees and achieving our highest engagement levels from within NWG, across the water sector, and beyond, while delivering exceptional output quality. Serving as a vital component of our innovation program, the festival plays a pivotal role in idea generation, project acceleration, and the establishment of consortia for future external funding bids. It has solidified its status as a highly anticipated event both nationally and globally.

The festival is now an established and highly anticipated event that attracts a diverse audience which is critical for coming up with transformational solutions. An essential aspect of the festival's unique format is its ability to attract a diverse audience, a critical factor in facilitating effective design sprints. The event featured 50 sprint activities, creating the most high potential projects ever. With the participation of 97 sponsors (versus 65 in IF23), attendees from 45 sectors and over 650 organisations representing more than 34 countries, the festival fostered extensive collaboration and networking opportunities. The estimated professional services value of this contribution stands at £6 million and brings considerable knowledge and expertise. The Innovation Festival format is also being adopted across the water sector with Veitur Utilities in Iceland running their first festival in June, Ordnance Survey and Sydney Water in March. We provided expertise to assist in the set up their events, further reinforcing our global leadership in innovation.

In the process, we have contributed over £2 million to the local economy, showcasing our ability to attract talent and resources to our regions. In 2024, our strong presence on key social media platforms, including LinkedIn, Twitter, and Facebook, facilitated the growth of a robust innovation community with a social reach exceeding 5.3M.

The festival created projects with the potential combined value of generated ideas estimated at £160M/year and >20 potential Ofwat bids for Water Breakthrough 5. To keep up the momentum, the top five projects were spotlighted in our first Christmas Festival Booster event. This half day event attracted 200 people to review and amplify the progress of this high potential projects so they can move even faster and gain valuable new insights and connections.

Innovation fund

We have continued to play a leading role in the Ofwat Innovation Fund, achieving significant success in the Breakthrough 4 round where we were awarded £10.2 million in funding, further strengthening our position as the most successful water company in the competition.

- 1 successful Transform bid: River Deep Mountain AI (RDMAI).
- 3 successful Catalyst bids: METREAU, Pipebot Patrol, and Support4All Phase 2.
- 1 Discovery winner supported: Waterwhelm.

Since then we have also been awarded a further £9.5m in for 3 projects in Water Breakthrough Challenge 5.

Since 2021, we have secured £38.6million in external funding and remain the #1 water company in the competition.

We continue to lead the way in fostering collaboration across the water sector, forming strategic partnerships to drive innovation and secure transformative funding for the industry. We have fully supported the competition and have developed a very effective capability and have submitted the most bids into this competition, 37 so far.

Value from innovation

In 2024, we have continued our focus on delivering maximum value from innovation by accelerating projects into business as usual and scaling proven solutions. Innovative solutions like the No Dig leak fix technology and MOWBI/TOWBI interruptions to supply trailers are now business as usual and making a big difference. Our innovation pipeline has grown to 145 projects, with a potential value exceeding £154 million annually. The top ten projects alone are potentially worth £113 million per year, driving our strategic focus on high-impact initiatives. These pipeline projects overall are well-balanced across operational directorates and innovation stages, from early discovery through to full-scale implementation.

We continue to champion employee-driven innovation, encouraging ideas through our Innovation Ambassador Network, Innovation Festival, and Invest Quest competition. Innovation is also recognised and rewarded through our Viva Awards, which recognise our people for living out vision and values, and where outstanding contributions to innovation are celebrated. The 2024 Innovation Award winners were the Water Networks team for pioneering the No Dig leak fix solution, a groundbreaking industry-first led by NWG. This trailblazing innovation is set to revolutionise leak repairs and transform operations across the sector.

This year, our priority is supporting transformational projects that deliver long-term impact. Among these, the Green Machine stands out as a game-changing wastewater treatment solution, with the potential to deliver multi-million in annual savings. This first-of-its-kind global project harnesses algae to remove nitrogen and phosphorus from wastewater, converting the enriched biomass into a sustainable fuel source. Set to go online in mid-2025, Green Machine is a key enabler in our journey to net zero.

Another high-value project emerging from the Innovation Festival is Generative AI for Chemical Dosing, now being trialled at pace. This AI-driven dosing optimisation system has the potential to increase efficiency, enhance compliance, and reduce operational costs significantly. If successful, its application could be scaled across both water and wastewater treatment, delivering multi-million-pound savings annually while contributing to our net zero ambitions.

Meanwhile, the Water Cookbook from Innovation Festival 2023 continues to gain momentum, now evolving into a collaborative effort across multiple water companies. By creating a set of standardised civil design solutions, this initiative aims to reduce design costs by 3%, a critical advantage as the industry prepares for a significant increase in capital investment in AMP8.

The Smart Sewer project is also making strong progress, with trials underway in North Tyneside. This initiative is designed to optimise storm overflow usage, improving network efficiency and resilience.

These are just a few examples of how innovation at NWG is making a tangible difference—enhancing service delivery for customers today while ensuring a more resilient, sustainable future.

By fostering a culture of creativity, collaboration, and continuous improvement, we are delivering transformative solutions that enhance resilience, efficiency, and sustainability. From pioneering AI-driven optimisation and nature-based solutions to accelerating industry-wide change through collaboration and investment, our commitment to innovation is delivering real value today while ensuring a stronger, more sustainable water future for generations to come. As we look ahead, we remain dedicated to pushing boundaries, scaling impactful solutions, and leading the way in water sector innovation.

CASE STUDY: ENHANCING WASTEWATER TREATMENT WITH MICROBIAL ELECTROCHEMICAL TECHNOLOGIES

Challenge

We face a significant challenge in maintaining the efficiency and sustainability of our wastewater treatment processes. Traditional methods are energy-intensive, costly, and contributed significantly to our carbon footprint. With rising population and commercial growth, the demand for wastewater treatment capacity is increasing, putting additional pressure on our existing infrastructure. Moreover, conventional treatment methods are not fully using the valuable resources contained in wastewater, such as energy and nutrients. We need an innovative solution to lower the cost and carbon footprint of wastewater treatment while recovering these under-utilised resources.

Action

To address this challenge, we embarked on an innovative project named METREAU, which stands for Microbial Electrochemical Technologies for Resource Recovery and Utilisation. This project is a collaboration between Northumbrian Water, Newcastle University, and METzero, a spin-out company. Isle Utilities is a key delivery partner and Yorkshire Water and Thames Water are contributing data and resources. The project builds on over 15 years of co-funded research with Newcastle University, leveraging our strong partnership and confidence in the technology.

The core of the METREAU project is the development of Microbial Electrolysis Cells (MECs), an advanced treatment solution that treats wastewater through an anaerobic reaction. This technology is designed to recover valuable resources such as hydrogen, ammonia, and caustic soda from wastewater. Despite its reputation for being complex and expensive, our long-term collaboration has enabled us to address these challenges and achieve the world's first working pilot-scale MEC reactor treating domestic wastewater.

We aim to develop a modular, enterprise-scale mobile unit that can be deployed at any water company site. This unit will be designed to optimise and test the performance of large-scale application, demonstrating its commercial viability for roll-out. Additionally, we will develop operational best practice procedures for the use and integration of this technology into the treatment process.

Impact

The implementation of the METREAU project will have a significant positive impact on our wastewater treatment processes. By effectively treating sludge return liquors through MECs, we will be able to reduce plant energy demand by up to 11%, decrease the carbon footprint by up to 30%, and improve the self-sufficiency of the plant by up to 14%. This would result in substantial cost savings and enhanced operational efficiency.

Moreover, the project will demonstrate significant environmental benefits. By reducing the need for chemicals and lowering energy consumption, the METREAU project will contribute to our sustainability goals. The technology will reduce process emissions by an estimated 80%, including nitrous oxides and CO_2, as well as a 90% reduction in energy consumption compared to traditional methods.

THEME FIVE: IMPROVING THE ENVIRONMENT

OUTCOME 11: We help to improve the quality of rivers and coastal waters for the benefit of people, the environment and wildlife

AMBITIOUS GOAL: Have the best rivers and beaches in the country

AMBITIOUS GOAL: Have zero pollutions as a result of our assets and operations

Introduction

We fully recognise the level of public concern with regards to the environmental impact of the sector, and the operation of Storm Overflows in particular. We remain committed to our ambition to have the best rivers and beaches in the country and have updated our Vision for Coasts and Rivers with latest progress against the pledges we have made here.

We have spill monitors at 100% of our overflows and have already reduced spills in 2024 by 12% compared to the previous year. We are progressing plans to make our wastewater network increasingly 'Smart' – with a UK first implementation of smart control systems, and once completed we expect our Tynesdide smart network to be the largest of its kind anywhere in the world. Our Business Plan for 2025-30 proposes some £1bn of investment to reduce spills further.

We are pleased that Ofwat has agreed our financial settlement of £15.7m which brings its wastewater compliance investigation to a close. This investment will be directed into speeding up our storm overflow reduction plans and in meaningful local initiatives via our Branch Out fund, and will come entirely from Northumbrian Water shareholders and will not be paid for by customers' bills. This will enhance our ongoing efforts to support local communities and protect and improve the natural environment here in the North East.

We also continue to cooperate fully with the EA's equivalent investigation.

Our performance commitments for this Outcome are as follows:

• **Treatment works compliance** – this is a common performance measure, and it is slightly different to that reported by the Environment Agency (EA) in its annual Environmental Performance Assessment (EPA) of water companies in England. This measure is reported as the total number of failing sites expressed as a percentage of the total number of discharges on the EA register. For both NW and ESW in 2020-25, this measure includes both sewage treatment works (STW) and water treatment works (WTW) discharges and is subject to penalty only for under-performance. (Reference **PR19NES_COM15**)

• **Bathing water compliance** – this stretching bespoke measure is to contribute to all the region's bathing waters being 'Good' or 'Excellent'. For 2015-20, our PC was to contribute to all the regions designated beaches being 'Sufficient or better'. (Reference **PR19NES_BES19**)

• **Pollution incidents** – our PC is a common measure for category 1, 2 and 3 pollution incidents using the Environment Agency's (EA) EPA methodology. This number is provided by the EA. (Reference **PR19NES_COM09**)

• **Water Industry National Environment Programme (WINEP) and Delivery of WINEP requirements** – these are two bespoke PCs which track delivery of our WINEP programme. Both are reputational only until 2025 where there are penalties for under performance. (References **PR19NES_BES31** and **PR19NES_NEP01**)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Treatment works discharge compliance	100%	99.51%	98.03%	98.52%	98.54% (3 STW fails)	97.21% (7 fails)	-£1.069m	Lower than LQ
Bathing water compliance (no. Of sites achieving good or excellent)	97.06%	n/a	97.06% (33 of 34 sites including 1 exemption)	97.06% (33 of 34 sites including 1 exemption)	94.12% (32/34)	94.29% (33/35)	-£0.690m	n/a
Pollution incidents (per 10,000km of sewers) [8]	19.50	14.61	22.98 (69)	19.98 (60)	32.97 (99)	38.97 (117)	-£7.107m	AVG
Water Industry National Environment Programme (WINEP)	657	0	347	447*	549	681	£0m	n/a
Delivery of WINEP requirements	Met	Met	Met	Met	Met	Met	n/a	n/a

Treatment works compliance

We are disappointed that this year our performance has fallen to below 98% (97.21%) for the first time this AMP. This means we will incur a penalty of £1.069m.

This year we have seen failures at seven sites out of a total of 206 eligible treatment works, these were at our water treatment works sites of Murton WTW, Warkwork WTW and in Essex and Suffolk; Syleham WTW. And for wastewater treatment works; Markse WwTW, Lanchester WwTW, Seahouses WwTW and Lynemouth WwTW.

Of the water treatment works for one site Murton (a chlorine failure) we have changed the monitoring system to ensure we are below the permitted level. Warkworth WTW failed on solids in the discharge. We have identified a problem here with the sampling point which may have contributed to the solids failure. This is now in our capital programme for resolution. Syleham WTW saw a slightly high iron result due to a mechanical failure in the discharge lagoon. Standard operating procedures have now been reviewed and updated for this process.

The wastewater sites with failures are Lanchester WwTW (Ammonia), Lynemouth WwTW Marske WwTW and Seahouses WwTW (all suspended solids). We are pleased to say that Lanchester WWTW is now in the final commissioning phase following a large refurbishment under our Water Industry National Environment Programme (WINEP). The £6.7m upgrade includes an enhanced treatment process for ammonia, phosphorus removal as well as adding a tertiary solids treatment stage for the first time. This will build resilience into the site to ensure robust treatment under varying weather conditions as well as capacity for local population growth.

At Lynemouth, Marske and Seahouses the treatment process has undergone a full root cause analysis, with the sites now running with additional sampling and analysis to further reduce any risks.

[8] As reported by the Environment Agency, and described further in our data assurance summary.

To further ensure we are doing all we can to improve our performance for customer we have implemented a tactical plan specifically for discharge permit compliance. This covers both water treatment works and wastewater treatment works in NWL and in ESW. The tactical plan has had a full review from our strategic technical partners and includes new root cause analysis, data interpretation as well as identifying any additional training or governance required. The work into root cause analysis has also led to an additional, first in the industry, intervention we have called WATCH list. This stands for Wastewater Assessment for Treatment Compliance and Hazards, and allows us to prioritise sites which need additional interventions to prevent compliance failures.

Targeted investments to support improvement in this measure are already included in our base plan however this year we also added an additional £1.68m to speed up delivery of key measures identified by our tactical plan. To further ensure we are doing all we can to improve our performance for customer we have implemented a tactical plan specifically for discharge permit compliance. This covers both water treatment works and wastewater treatment works in NWL and in ESW. The tactical plan has had a full review from our strategic technical partners and includes new root cause analysis, data interpretation as well as identifying any additional training or governance required. The work into root cause analysis has also led to an additional, first in the industry, intervention we have called WATCH list. This stands for Wastewater Assessment for Treatment Compliance and Hazards, and allows us to prioritise sites which need additional interventions to prevent compliance failures.

Targeted investments to support improvement in this measure are already included in our base plan however this year we added an additional £1.68m to speed up delivery of key measures identified by our tactical plan.

Bathing water compliance

We have not achieved our updated target for 2024/25.

Under the bathing water regulations, high amenity beaches are designated as bathing waters to protect human health and are classified every year as either: Excellent, Good, Sufficient or Poor. These classifications are calculated using the previous four years of regulatory sample results taken by the Environment Agency during the bathing water season (May to September). They are linked to levels of bacteria measured in the sea water with 'Sufficient' being the minimum acceptable standard.

Our original Business Plan target was to achieve 33 out of 34 designated bathing waters as either "Good" or "Excellent", equivalent to a score of 97.06%. Since this time we were designated an additional bathing water for 2024 season – Littlehaven on South Tyneside, giving 35 bathing waters overall, with the 97.06% target remaining in place.

For the 2024 bathing season, 33 out of 35 bathing waters were classified as either Excellent (23) or Good (10). The two sites that haven't met our PC are Cullercoats are the newly designated site at Littlehaven – which were both designated as Poor, resulting in an overall score of 94.29%.

Cullercoats has been classified as Poor since 2018 having deteriorated from Good in 2016 and to Sufficient in 2017. The 5-year consecutive count before de-designation for Poor bathing waters was reset in 2021 due to the break in classification in 2020. For Cullercoats, this means that it could be de-designated due to five consecutive Poor classifications under the regulations after the 2025 bathing season.

Our WINEP investigation found that contaminated groundwater is the most likely reason for the deterioration in bathing water quality and that there is no evidence that our assets have an impact. The study built on the extensive partnership investigations with the EA and local authority carried out since 2017 and included targeted investigations, remedial works and surveys to determine the most likely cause. An uncharted polluted drainage culvert belonging to the local authority, that was identified in a previous study in 2011 and capped off from the beach, was also investigated further. Groundwater flows in the culvert have been shown to contain high levels of bacteria and to improve bathing water quality, this was diverted into our combined sewerage network in December 2022.

A hydrogeological study to understand the pathways of groundwater into the Cullercoats bathing water was completed in September 2023. The recommendation to drill monitoring boreholes to determine the flows and quality of the contaminated groundwater across the catchment has been taken forward. It is being jointly funded with contributions from our partners North Tyneside Council and the EA with implementation in time for in the 2025 bathing season.

We remain committed to continue working with our partners to improve the bathing water quality at Cullercoats for our customers, local businesses, and recreational users.

Littlehaven beach was designated in 2024 following a consultation by Defra which we were pleased to support following work with South Tyneside Council and the EA on the proposal. This coastal bathing water is located within the mouth of the River Tyne and given its estuarial topography there are complex factors behind its initial classification of 'Poor'. In our Business Plan we included funding to undertake a detailed WINEP investigation by April 2027 to understand sources of bacteria impacting bathing water quality and develop integrated improvement plans. The current bathing water regulations makes undertaking an investigation and then to put in place the necessary investment required to meet the bathing standards a challenge; this having to be undertaken all within a 5-year timescale or otherwise face de-designation.

Defra supported our recommendation in their recent consultation to reform the bathing water regulations to allow for more time for improvement to take place at newly designated sites, such as Littlehaven. The removal of the automatic de-designation after 5 consecutive years at 'Poor', could also help with our work with partners to improve the seawater quality at Cullercoats.

We continue to work in partnership to make improvements and maintain standards as seawater quality can be affected by many different sources of bacteria, such as run-off from agriculture, seabirds and urban pollution, as well as from our assets. This includes working closely with the EA and local authorities to understand bathing water quality compliance issues and identify priority beaches for closer attention.

In carrying out investigations at our bathing waters, we will be using world leading innovative techniques such as Project Kingfisher, semi-autonomous AI data analytics. This approach uses flying drones to collect detailed water quality measurements. In the future, the Kingfisher drones will have the capability to take samples of seawater and transport them direct to a laboratory for analysis.

Our bathing waters continue to be amongst the cleanest in the country. We were again ranked second in this measure in 2024 for the percentage of Excellent and Good coastal bathing waters in comparison with water companies in England.

Pollution incidents (Category 1-3 Wastewater)

We have not achieved this PC.

For 2024, our number of reported Category 1-3 wastewater pollution incidents increased to 117 (38.97 against our PC of 19.5 incidents per 10,000km of sewer served) resulting in a penalty of £7.107m.

All of these incidents have been confirmed as Category 3 (minimal impact) by the Environment Agency (EA). We have successfully achieved zero Category 1 (serious) and 2 (significant) pollution incidents in 2024 from our assets, having also achieved zero in 2022 and 2023.

In 2024, we faced significant challenges from 9 named Storms which accounted for 51 Category 3 events impacting upon our sewage pumping stations (SPS) and sewage treatment works (STW) where power cuts or very small power interruptions, known as 'brown-outs', caused significant issues.

Storm Isha and Storm Darragh alone resulted in 44 Category 3 events (86%) out of the total 51 recorded providing an indication of their severity and challenges we faced. These winter storms resulted in 3 to 5 day events with a maximum gust of 99 mph being recorded in Northumberland.

Our systems are not currently capable of dealing with the most severe storms which are expected to grow in frequency and severity due to climate change increasing their potential to disrupt our operations across the entire region.

We continue to focus on developing existing improvement actions to reduce these impacts whilst introducing new proactive strategies to increase our power resilience, such as changes in the auto resetting of key equipment following a power dip, and increased activity associated with tanker activities.

Our focus remains on continuous improvement in pollution performance through our company-wide zero-tolerance approach as set out in our initial published Cycle 1 Pollution Incident Reduction Plan (PIRP) in 2022. We are progressing its refresh as the Cycle 2 Pollution Incident Reduction Plan which is to be published in April 2025.

To support the development of the Cycle 2 document and building upon the original methodologies applied to the Cycle 1 creation an enhanced level of pollution reduction forecasting has been implemented which will continually evolve and include new interventions throughout the next business period.

New interventions continually build upon key learnings from both internal and collaborative engagement which have included additional headcount in our operations and maintenance teams focusing on proactive actions to reduce pollution events. These new initiatives will progressively deliver increased benefits in our pollutions within the coming years as they mature. In addition, we have recently appointed a Pollutions Manager dedicated to ensuring continuous improvement across our wastewater asset base increasing our knowledge of route cause analysis generating additional actions for improvement.

The EA's thresholds in their Environmental Performance Assessment (EPA) expects that we will pro-actively 'self-report' at least 80% of all pollution incidents (total) to them rather than rely on others to point out a problem. This is a key pollution measure reported annually in the EPA. We consistently achieve high levels of self-reporting in surpassing the EPA 80% (green threshold) requirement with a 2024 result of 90% down compared to 94% in 2023.

The EPA also states a self reporting level of 90% (green threshold) or more for sewage pumping stations (SPSs) and sewage treatment works (STWs). For 2024 we achieved 93% down from our 2023 (96%) achievement.

A contributing factor to these results includes the EA retrospectively identifying events through our interactive digital map showing near real time SO spills.

Although there has been an increase in pollution incidents, we have still successfully delivered self-reporting performances above the EA's upper threshold levels (green).

Water Industry National Environment Programme (WINEP) and Delivery of Water Industry National Environment Programme requirements

The first metric tracks the number of WINEP schemes completed vs the version of the WINEP programme in place at 31 March 2023. As such it does not reflect subsequent changes to the WINEP programme agreed with the EA.

We have completed 681 schemes against our target of 657 by the end of March 2025. In agreement with the EA and the latest version of WINEP, some of the schemes in the original list have been interchanged with new projects. These schemes removed will still be completed in the next reporting period.

All our forecasted WINEP deliverables (post accepted changes) for 2024/25, have been completed for sign off, except one. This deliverable is currently under an alteration request with the Environment Agency, we have met our agreed environmental outcome, however following some unforeseen construction delays there are some civils work outstanding. This is forecast for completion by 30 September 25.

Following agreed changes with the EA we have brought forwards a number of deliverables into the AMP7 programme resulting in us delivering more than the original required number.

This is confirmed by the second metric, which does reflect more recent changes to the WINEP programme, where the fact that we are on track with all schemes is reported against the metric as ‘met’ (as opposed to ‘not met’).

We have consistently delivered all 100% of our WINEP commitments since its introduction in 2011.

OUTCOME 12: We take care to protect and improve the environment in everything we do, leading by example

AMBITIOUS GOAL: Be leading in the sustainable use of natural resources, through achieving zero avoidable waste by 2025 and being carbon neutral by 2027

AMBITIOUS GOAL: Demonstrate leadership in catchment management to enhance natural capital and deliver net gain for biodiversity.

Our performance commitments for this Outcome are as follows:

• **Greenhouse gas emissions** – this is a bespoke PC which financial incentives for out or under performance which measures our reduction in greenhouse gas emissions arising from our operational activities. The baseline against which reductions are measured was re-calculated for 2019/20 using the newest carbon accounting workbook. (Reference **PR19NES_BES21**)

• **Bioresources** – the bespoke PC measure for bioresources performance is the percentage of sewage sludge that is treated and converted to biosolids at one of our two Advanced Anaerobic Digestion (AAD) treatment centres and the percentage of biosolids that are then beneficially recycled to land. (Reference **PR19NES_BES22**)

• **Water environment improvements** – this is a bespoke performance commitment which measures the length of water environment where we have delivered improvements to public access, facilities, water quality or biodiversity. There are financial incentives for out or under performance (Reference **PR19NES_BES20**)

A summary of our performance against these commitments is provided in the table below:

MEASURE OF SUCCESS	OUR TARGET FOR 2024/25	OUR PERFORMANCE						
		2020/21	2021/22	2022/23	2023/24	2024/25	REWARD / PENALTY	COMPARATIVE POSITION
Water environment improvements	10 km	30.2 km	34.6km	33.1km	31.9km	118.3km	£0.832m	n/a
Greenhouse gas emissions (tCO2e reduction from 2019/20 baseline)	9,110	15,235	46,492	23,445	49,307	52,374	£8.09m	n/a
Bioresources	100%	100%	100%	100%	100%	100%	n/a	n/a

Greenhouse gas emissions

This is a bespoke PC that incentives us to reduce greenhouse gas emissions arising from our operational activities. Note that

Our PC (reported here) uses version 16 of the industry- standard carbon accounting workbook, this ensures that any change in performance is reflective of actual changes we have made, rather than methodology.

Our wider company performance is calculated using the latest version of the carbon accounting workbook to ensure that our emissions inventory follows best practice.

This year, following the PC definition, we have reduced our operational emissions to just 16.25 thousand tonnes of CO_2e. This is a further improvement on last year's excellent performance. For our performance in this area, we are receiving a reward of £8.09M.

We have reduced emissions by:

Installing our first large scale solar arrays across 6 sites including our 9MW solar array at Broken Scar (this is the first full year of operations at the Broken Scar site);

Being the first and are the only water company to use 100% of our sewage sludge to create energy (or power from poo), and we've enhanced our activities in energy creation further with the implementation our second Gas to Grid plant at Bran Sands. With biomethane production increasing this year after some operational challenges in 2023.

Using biomethane purchased through the market to reduce our reliance on natural gas.

Continuing to be efficient in our travel – avoiding unnecessary journeys and travelling by public transport.

Migrating our HGVs onto HVO (a form of biodiesel) which displaced 880 thousand litres of diesel in our bioresources fleet.

Leading the industry with our offshore wind Power Purchase Agreement (PPA), which was the first of its type in the UK. This 10-year deal has us sourcing approximately 30% of our electricity demand from the Race bank offshore wind farm.

Powering all sites using renewable electricity.

Using electric vehicles wherever possible.

Our reporting has been independently verified in accordance with ISO14064-1.

Greenhouse Gases – Wider reporting.

As noted above, our Greenhouse gas reporting includes a significantly wider scope than just our operational greenhouse gas emissions as defined under the Performance Commitment. This wider data set is reported in table 11A. Table 1 illustrates the difference in scope and the validity of the emissions inventory based on the quality of the input data and the method applied to that data.

Table 1. Reporting Scopes

Scope	Emission Source	Red, Amber, Green		AMP7 Operational Emissions ODI	AMP8 Operational Emissions ODI	Full Scope (as reported in table 11A)
		Input data	Methodology			
Scope 1	Fuels	Green	Green (CAW)	Y	Y	Y
	Process Emissions	Green	Amber (CAW)	Y	Y	Y
	Transport	Green	Green (CAW)	Y	Y	Y
Scope 2	Grid Electricity	Green	Green (CAW)	Y	Y	Y
	Operational Subcontractors	Amber	Green (CAW)	Y	Y	Y
	Business Travel	Green	Green (CAW)	Y	Y	Y

Scope	Emission Source	Red, Amber, Green		AMP7 Operational Emissions ODI	AMP8 Operational Emissions	Full Scope (as reported in table 11A)
		Input data	Methodology			
Scope 3	Operational Waste Disposal	Green	Amber (CAW)	Y	Y	Y
	Electricity T&D	Green	Green (CAW)	Y	Y	Y
	Chemical Use	Green	Amber (CAW)		Y	Y
	Construction	Amber	Amber			Y
	Other Goods & Services	Red	Red			Y
	Electricity Well to Tank	Green	Green (CAW)		Y	Y
	Fuels Well to Tank	Green	Green (CAW)		Y	Y

As per table 1, all emissions in the financial performance commitment are calculated in the CAW and the majority of the input data is very high quality (more than 98.5% of the emissions inventory is from high quality activity data). It is however, known that the methodology for process emissions from wastewater activities and for operational waste disposal to land require some refinement – these are subject to research activity across the industry. Any weaknesses in the CAW methodology have not materially impacted our Performance Commitment positively or negatively.

For the extended scopes, our key area of concern is purchased goods and services (excluding chemicals and construction). This is a catch-all category for a diverse range of business activity and as such is very difficult to convert into a good quality emissions inventory.

With respect to the mandatory RAG rating for emissions related to our capital programme (construction), we consider that we achieve an amber rating in line with the Ofwat guidance as we:

Have provided an estimate of embedded emissions data as it relates to capital projects;

This estimate is based on bottom-up assessment of asset commissioned in-year combined with capital programme spend information.

This method and the input data was included in our CEMARs external assurance; and

These emissions are considered in the below SWOT analysis.

We also note that Ofwat requires that our Capital emissions reporting be aligned to a relevant framework (PAS2080 being the most appropriate). We note that we have not yet had our processes accredited to PAS2080 but importantly whole-life emissions are already part of our service value framework (which helps us assess, prioritise and optioneer our capital plan) and we are working with our Capital Delivery Framework contractors to produce robust emissions assessments for all major capital projects in the next AMP. The PAS2080 framework includes requirements to consider emissions in each decision making step – given that many of the decisions for the AMP7 capital programme were made before Ofwat introduced the requirement to align with such a framework it is not possible to retroactively comply.

Greenhouse Gases – Swot Analysis

The wider Scope of emissions now reported in Table 11A is a significant expansion on our historical reporting. As such, the levels of maturity in reporting for some of the Scope 3 emissions is less mature than for the other areas of the business. The table below provides a SWOT analysis relating to our emissions inventory.

Strengths	**Weaknesses**
• Positive audit report in relation to 2024/25 Scope 1,2 and mandatory Scope 3 emissions - compliance with ISO 14064 Part 1 2018. • Our external audit covers all emissions sources (including Capital and Chemicals) and our use of the Carbon Accounting Workbook. • Good quality activity data covers more than 98% of our Operational Emissions boundary. • Consistent outperformance of our GHG target for operational emissions. Positive recognition from our Water Forum (ICG) in relation to this. • The first company to use 100% of our sewage sludge to create energy via advanced anaerobic digestion processes (AAD) before all sludge being beneficially recycled to land. • 100% use of renewable electricity, including the first Power Purchase Agreement (PPA) for an offshore wind farm in the UK. • Northumbrian Water has an embedded and mature approach to innovation with multiple projects in our innovation pipeline that could aid future emissions reductions, including algal wastewater treatment, ammonia recovery and real time power emissions optimisation. • Relatively high data quality for chemical emissions (covering 96.9% of chemicals by mass and 97.1% by spend).	• APR and audit do not align well with the certification requirements for market-based reporting (REGO and RGGO certificates may not be fully auditable until after submission). • For the wider Scope included in 11A, 47% of our gross emissions are estimated based on high-level spend data. • Notably, 20% of our emissions inventory is from purchased goods and services, excluding capital and chemicals, which given the quantum and diversity of items procured is very difficult to convert into an accurate emission value. • Whilst good activity data is available, the emissions inventory is only as accurate as the emissions factors used. • Within the CAW the energy related factors are robust, but the chemical and process emissions factors are known to be weak, although work by WaterUK has strengthened this. • We have reported emissions from chemicals based on the standard factors included in CAW19, and where the CAW provides more than one factor for a chemical, we have used the highest factor for that chemical.

Opportunities	**Threats**
• We are committed to publishing an aligned emissions reduction plan aligned to UK government requirements and ambitions. • Committed to achieving PAS2080 as an asset owner for our Capital Delivery covering all base and enhancement. This will be in place by 2027. • We have committed to the Construction Leadership Council 5-point plan with robust steps in place to deliver diesel free sites, low carbon concrete, and green steel. • There is scope to strengthen incentives on companies to innovate by using actual emissions factors associated with purchased electricity in future reporting rather than grid average factors – which reduces the scope for innovation.	• There is now a significant difference in scope between the existing industry Operational Emissions definition (which customers are familiar with) and the scope included in table 11A. This risks undermining the sectors' approach. • The change in scope between AMP7 and AMP8 is material – reported emissions under our ODI will increase by an order of magnitude despite no step change in performance – this is confusing and undermines customer confidence. • Despite Ofwat's financial incentive, the AMP8 performance commitments require the wider sector to make no improvements. With only 4 WASCS (including NWL) committed to delivering greenhouse gas reductions. This risks credibility of the sector and its stated ambitions.

• There is scope to improve the reporting of chemical emissions through use of more accurate emissions factors, particularly for new chemicals. • We believe there is greater opportunity for future sector reporting to allow greater recognition of carbon offsets (and insets) where these have a high confidence of emissions reductions and assured benefits. • Industry reporting capability – via the Carbon Accounting Workbook – is continually improving and there is an opportunity to reflect this in Performance Commitments by permitting use of the latest available version of the workbook in each reporting year. • Continual improvement in the science and measurement of emissions may identify areas where emissions reduction efforts need to be concentrated.	• To deliver a just transition, action is needed across all sectors of the economy - it is the interest of customers, the environment and the UK for the regulation of Net Zero to be considered and implemented at an economy level rather than bespoke sector/company specific targets. At present net zero regulation is diverse across our supply chain and activities, with the new AMP8 PC adding a layer of financial incentive on top. This creates a scenario where the finical reward for any emission reduction varies significantly by activity, which may not be good value for customers. Further regulatory changes external to the sector during AMP8 may further distort decarbonisation activity.

Bioresources

We have achieved this PC. Our performance has remained at 100% allowing us to maintain industry leading performance. We are also recognised by Ofwat as the most efficient water company in relation to bioresources.

Key enablers in continually achieving this leading status have been:

• Continued optimisation of two strategically located AAD treatment centres in the north and south of the region processing the sludge volumes from more than 400 sewage treatment works.

• We harness the opportunity of upgrading the biogas generated from the AAD process to biomethane, and injection into the natural gas grid at both AAD facilities and retain the option of generating electricity through combined heat and power processes.

• We are fully compliant in the deployment of nutrient rich biosolids to agriculture providing key plant nutrients including phosphate, nitrogen and sulphur while offering farmers an economically viable fertiliser alternative.

These key enablers have allowed us to continue to lead the sector being the only Water and Sewage Company (WaSC) that processes 100% of raw sludge through AAD operations with 100% of the final biosolids being compliantly deployed to the region’s landbank.

The Environment Agency’s (EA) pending interpretation of the Farming Rules for Water (FRfW) and transition from Sludge Use in Agriculture Regulations (SUiAR) to the new Environment Agency Sludge Strategy, has the potential to both impact upon agriculture land accessibility and availability and we are continuing to work with the EA and other partners to secure the best possible outcome. This future regulatory uncertainty continues within the industry and may impact on our future operating model and efficiencies.

In December 2024 the EA completed a rapid consultation on the FRfW guidance with its outcomes and findings still to be published. The sector anticipates that its conclusions will impact upon current operating models in terms of agriculture land accessibility and availability. Once we have these conclusions, we will review and understand the impact they may have on this area of our business.

The continuation of supplying a nutrient rich biosolids to farmers remains our preferred option. It is hoped that any changes to the guidance would allow for a periodic transition to alternative value adding pathways maximising circular economy opportunities; however there may be the need for non-preferred short term mitigation strategies (such as use of landfill) to be actioned if challenging deadlines are applied.

We successfully secured new investment as part of our PR24 Business Plan to improve our supply chain resilience associated with additional biosolids barn storage and post digester thickening processes, however this was based upon current FRfW guidance and will not mitigate the impact of the expected changes of the FRfW consultation.

Our aspiration remains to commercially trade wastewater sludge under Ofwat's Bid Assessment Framework (BAF) benefiting the sector and customer in terms of affordability efficiencies and carbon footprint.

Discussions have continued with WaSC's to progress short term trade opportunities, however the appetite to trade under longer term agreements have slowed across the sector due to the regulatory uncertainties associated with the FRfW and EA Sludge Strategy.

Water environment improvements

Water environment improvements is a success story for the company. This new approach to investing in the environment for the benefit of our customers was developed for AMP7, and has been delivered through our collaborative Bluespaces programme, with delivery largely led by environmental partners across our NW and ESW operating areas.

All water environments have been in scope for Bluespaces improvements, including lakes and reservoirs, streams and rivers, canals, wetlands, coasts, and beaches. Improvements must cover at least two out of three aspects of the programme, access and recreational facilities, wildlife and biodiversity, and water quality, furthermore they must include elements above our regulatory obligations.

In year five, we have performed better than our PC against this bespoke measure, achieving 118.3 km of improvements through delivery of 20 projects, over and above our 10 km annual performance commitment. This excellent performance is due to a cumulation of multi-year projects in progress through the AMP which have been completed for sign-off in Year 5. Over the five years of AMP7, a total of 248.1km of water environment has been improved for our customers in our regions (158.5 km in our NW region and 89.6 km in our ESW region), across 59 projects (37 in our NW region and 22 in our ESW region), this is over and above our original PC target of 50 km.

In 2024-25, we have invested £0.35m in water environment improvement projects through our Bluespaces Scheme, and across AMP7 in total we have invested £0.63m, in addition to supporting programme-level resource costs. Our total programme investment is estimated at £0.99m. This has been matched by partner co-funding estimated at £21m.

We will receive a reward of £0.832m for our performance this year, and a total of £1.52m for our overall AMP7 performance. In our plan, we committed to reinvest at least 50% of any reward received above costs in new water environment projects. Each year we have more than met this commitment, through investment in resources and funding issued to partners through our Bluespaces Programme.

The projects we have delivered through this PC have had significant environmental and social benefits, and have drawn in partner co-funding to invest in catchment projects and associated improvements. Specific benefits delivered across the 5-year programme include 417 ha of new wetland created, 19,000 trees planted, 6,300 volunteer days, 18,700 members of the public engaged, including almost 500 public engagement and training events, 145 new benches installed and over 95 fish passage features created.

We have continued to work closely with the Water Environment Governance Group (WEGG), an independent group made up of external expert stakeholders who are passionate about improving the environment. The WEGG has helped shape and steer our activity and has both pre-approved and signed-off completed projects against the ODI.

The 2024/25 Governance Statement from Richard Powell OBE, Chair of the WEGG, demonstrates that we have addressed Ofwat's specific reporting and assurance requirements for this ODI. More detail can be found on the Water Environment Governance Group pages on our website.

We will continue to invest in water environment improvements for our customers through our company pledge to improve 500 km of Bluespaces by 2030. This commitment is linked to WINEP schemes in AMP8 rather than the bespoke ODI approach used for AMP7.

CASE STUDY: OUR INNOVATIVE APPROACH TO RIVER WATER QUALITY IMPROVEMENT

Challenge

We faced a significant challenge with the quality of river water near Ovingham. The water pumps in the area were frequently inundated with fine sediment, particularly during storms and heavy rainfall. This issue not only affected the efficiency of the pumps but also posed a risk to the overall water quality. Additionally, downstream Tyne communities experienced flooding during extreme weather events, further exacerbating the problem.

Action

To tackle these challenges, we initiated the South Tyne Holistic Water Management Project, focusing on a vast upland area of 880km². This area, characterised by high rainfall, dynamic rivers, and unique species and habitats, was identified as a significant source of the fine sediment affecting the water pumps. The project aimed to improve the health of the River Tyne through various schemes, ranging from scientific studies to full-scale river restoration.

We collaborated with organisations across the South Tyne area, as well as farmers and landowners, to implement a range of measures. These included grants for river restoration schemes, 'slow-the-flow' initiatives, farmyard and track improvements, tree planting, and habitat creation. The financial support we provided was instrumental in leveraging additional funding from partner organisations. For every £1 we spent, farmers, partners, and landowners contributed 74p.

A dedicated officer was employed by the North Pennines National Landscape Partnership, funded by us, to engage with farmers and develop projects eligible for the Farming in Protected Landscape (FiPL) grants offered by the Government. This officer utilised the extensive knowledge and experience of the North Pennines National Landscape Partnership team to reach farmers across the protected area.

Impact

The funding of the FiPL Officer alone resulted in additional grant funding of £440,000 for 17 separate projects. These projects included farmyard improvements to reduce diffuse pollution of watercourses, woodland and scrub creation and regeneration, livestock exclusion from rivers and crossing points, hedgerow restoration, scrape and pond creation/restoration, and hay meadow restoration.

The project exceeded expectations, benefiting from an enthusiastic and knowledgeable partnership of organisations that helped steer the project, brought ideas to the table, and worked diligently to see projects delivered on the ground. The success of the five-year project has led us to plan similar initiatives in the North Tyne catchment and support river restoration schemes across our entire operating area.

THEME SIX: BUILDING SUCCESSFUL ECONOMIES IN OUR REGIONS

OUTCOME 13: We are proud to support our communities by giving time and resources to their important causes

AMBITIOUS GOAL: Be the most socially responsible water company

The most socially responsible water company

Our responsible business practices have again been recognised through significant external accreditations over the past year. For the 14th time we were named on the World's Most Ethical Companies list, compiled by Ethisphere, the only UK company named in the list. This is based on information requested by Ethisphere on issues including governance, employment practices and social responsibility, which is judged against a set criteria and benchmarked against companies around the world. We have also been listed for the fifth time by the Great Place to Work as one of the UK's Best Workplaces in the super large category. Being recognised nationally as a great employer is a fantastic achievement and something we are very proud of. Being a great place to work has many contributing factors, it's not just about what our people do as an individual, it's about the teams we belong to and what we deliver for our customers, the environment, and our communities.

Community investment

Our community investment strategy focuses on three areas central to our Purpose. We deliver activities through financial contributions and volunteering, including our Just an Hour scheme, where over 50% of our employees supported over 700 of good causes. From working in partnership with various foodbanks, clothing and log banks, supporting schools to tree planting, habitat improvement works, taking part in beach cleans and continuing our longstanding partnership support with WaterAid. We have consistently reinvested at least 1% of our profits into our communities through programmes like Just an Hour, Cheque it Out, Branch Out, Bluespaces, and our Community Foundations.

We're continuing to invest in our three historic waterwork sites, which now are now open to the public as museums and are proud of our longstanding partnership support with the dedicated museum volunteers who help us preserve these spectacular heritage sites for generations to come.

- Ending water poverty – we have actively participated in various community-based events across the North West, Essex, and Suffolk regions, focusing on providing support and advice on health, finance, and wellbeing. These c.25 events, including partnerships with organisations like South Tyneside Homes, Karbon Homes, and Stockton on Tees Borough Council, have allowed us to engage with residents and promote initiatives such as affordability support, water efficiency, Priority Services Register, and more, ensuring that our communities are well-informed and supported.
- Water for health – more Powered By Water school sessions were held delivering our key hydration messages to over thousands of children. We also held our 2024 WaterAid Ball which raised over £40,000 on the evening in support for WaterAid project work in Rwanda to support access to clean water, hygiene practices and sanitation services.
- Protecting the water environment - we engaged 1,706 pupils across our supply area through half-day workshops, which were held in the summer term of the 2023/24 academic year. Led by expert facilitators, 58 free 'Water Tracker Training Camp' workshops were delivered to 29 schools across the NWG area, reaching 1,706 pupils.

In Southend-on-Sea, Essex, we are proud sponsors of the Waddle-on-Sea art trail. This initiative features sculptures sponsored by 30 companies, and we are fortunate to be among them. Our sponsored sculpture is part of a larger effort to bring art and community spirit to the area, engaging residents and visitors alike.

Additionally, we are community sponsors for the Hop To It trail in Suffolk. This trail involves three primary schools in Lowestoft and Beccles, where students have the opportunity to decorate a leveret (baby hare) and contribute to the trail. This initiative not only fosters creativity among young students but also strengthens community bonds.

The purpose of these trails is to highlight the ongoing work and essential water efficiency messages that we need to deliver to the communities we serve in Essex and Suffolk throughout 2025. By supporting these art trails, we aim to raise awareness about water conservation and engage the community in meaningful and creative ways.

We continue to hold a number of accreditations that demonstrate our commitment to responsible business practices, including:

- ISO 14001 Environmental Management
- ISO 15001 Asset Management
- ISO 17025 Testing and Calibration Laboratories
- BSI for inclusive services
- Living Wage employer
- Disability Confident employer
- Armed Forces Covenant

OUTCOME 14: We work in partnership with companies and organisations to achieve the goals that are most important to our customers

AMBITIOUS GOAL: Spend at least 60p in every £1 with suppliers in our regions

We're proud to spend more than 60p in every £1 with local suppliers, ensuring we have a supply chain that helps uphold our social, economic, and environmental standards.

We continue to develop and widen relationships with our supply chain and external organisations to reach new audiences with procurement opportunities. We have attended 'Meet the Buyer' events with the North East Chamber of Commerce and County Durham Pound (CDP) group in our Northumbrian Water operating area. These events have allowed targeted local supplier engagement, sharing insight into our buying and access to opportunities. We help local SMEs understand our procurement process by handing out copies of our 'Procurement in the Community' educational pack at events. We also share copies of our Responsible Procurement strategy at these events. Both documents are available online.

Through our engagement with the County Durham Pound group we have continued to build relationships with local community organisations and we have invited some of our suppliers to be supporters of the County Durham Pound. We are a founding member of the County Durham Pound group and we are working collectively to improve local spend and social value in the County Durham region. Following on from the CDP award for Best Public Sector Project at the 2023 Social Value Conference, in May 2024, the County Durham Pound won the 'Collaborative Procurement Initiative Award' and were runners up for the 'Social Value' award at the National GO Awards.

Our Responsible Procurement Strategy, which includes our 'Impact Initiative 7' has continued to develop. Actions over the past year include:

- Targeted local supplier engagement at 'Meet the Buyer' events such as the chamber of commerce expo and County Durham Pound, to enable local suppliers to gain insights and access to opportunities.
- We continue to share our 'Procurement in the Community' educational pack designed for local SME's to inform them about the procurement process and wider Utility procurement.
- In recognition of Anti-Slavery Day in 18 October, we dedicated a week to raising awareness of Modern Slavery and Human Trafficking. Our efforts focused on sharing information and resources with both our employees and supply chain partners about the importance of these critical issues.
- We ran a 'Dragon's Den' style event called the Innovation Connect Challenge where we invited suppliers to pitch for funding for their innovative ideas.
- We celebrated the successes of our suppliers by holding our Go the Extra Mile (GEM) awards and this year included responsible procurement award categories.
- We have worked with our supply partners to highlight skills investment, carbon reduction, diversity in the workplace and social value delivery through case studies that form part of our annual responsible procurement review document.

Within the wider Water industry, British Water's annual UK Water Company Performance Survey asks contractors, consultants and suppliers to rate their clients' performance in 12 areas, including professionalism, contractual approach and communication. We have continued to score above the average on all areas and in 2024 we were ranked number one in the league table by our suppliers.

REGULATORY ACCOUNTING STATEMENTS

&

ADDITIONAL REGULATORY INFORMATION

DIRECTORS' RESPONSIBILITIES AND DECLARATIONS

for the year ended 31 March 2025

CONDITION F – REGULATORY ACCOUNTING STATEMENTS

The Directors are responsible under Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewerage undertaker under the Water Industry Act 1991 for:

- ensuring that appropriate accounting records are maintained by the Appointee which are consistent with the Regulatory Accounting Guidelines published by Ofwat;
- preparing a set of regulatory accounting statements each financial year in accordance with the Regulatory Accounting Guidelines; and
- complying with all other requirements set out in the Regulatory Accounting Guidelines.

RISK AND COMPLIANCE STATEMENT

The Board confirms that:

- it considers the Company has full understanding of, and is meeting, all its relevant statutory, licence and regulatory obligations and has taken steps to understand and meet customer expectations;
- it has satisfied itself that the Company has sufficient processes and internal systems of control to fully meet its obligations; and
- the Company has appropriate systems and processes in place to allow it to identify, manage, mitigate and review its risks.

Ongoing compliance with our obligations in future will be dependent in particular on:

- successfully securing adequate/sustainable funding levels for capital maintenance in order to maintain asset health in the medium and long term;
- securing funding to allow sufficient investment in climate adaptation, to protect our services from deteriorating climate trends and increased prevalence of severe weather events;
- given the substantial uplift in investment requirements from AMP8 onwards, successfully concluding work to secure the deliverability and financeability of our PR24 business plan; and
- an environment where regulatory interpretation of what constitutes compliant operations remains stable.

As stated above the Board has concluded that it has a full understanding of the Company's statutory obligations and can confirm that these have been materially met. However, the table below reports departures which are included for transparency.

Legislation	Section	Duty	Detail of departure
Water Supply – Water Quality Regulations	Regulation 29	Water treatment to minimise contamination from pipes	We model lead risk across all supply areas annually and set treatment targets for phosphate accordingly. We don't dose phosphate everywhere. The reason for the departure is that we only take a limited set of lead samples every year (compliance and operational) to inform our models and risk assessment, but we know that there are over 500k lead communication pipes (company-owned) and a likely equivalent of customer lead supply pipes still in existence. Phosphate treatment has performed well but is not a long-term sustainable solution to the lead risk. The only long term solution is to remove lead piping entirely from supplies. This needs an integrated, multi-stakeholder approach that extends beyond the water sector. We have plans to reduce lead piping in both AMP8 and our Long-Term Delivery Strategy.
Water Supply – Water Quality Regulations	Regulation 31	Application and introduction of substances and products	The requirements of Reg 31 are understood and applied internally, but the knowledge of applicable products and their associated instructions for use (IFU) are shown to be inconsistent across the supply chain. This has led to further internal risk assessments on products used, and even aborted work. This situation is not unique to NWL and is recognised quite broadly across the water sector. NWL is helping to lead on a new scheme supported by the Energy and Utilities Skills Register to create a standard training course equivalent to the national Water Hygiene Card to make sure all employees (internal and supply chain) who would need Reg 31 awareness are deemed competent and hold evidence to demonstrate it.
Licence Condition P	P1-3	Board leadership, transparency and governance	A full explanation of compliance with the guidelines is provided in the Governance Report within the Annual Report & Financial Statements the departures explained are: • Chair is not independent of investors and • The Nomination Committee and Remuneration Committee are not chaired by an Independent Director.

Legislation	Section	Duty	Detail of departure
Water Industry Act	3	General Environmental and Recreational Duties	A capital project involving installation of new pipework associated with new service reservoir at Springwell (Tyne and Wear). NW used their Organisational Licence to undertake this pipelaying work close to a known population of great crested newts. Works took place under this licence in 2024 breaches occurred for three conditions: i. Condition 15 – Natural England were not informed within two working days of the failure to complete licenced works within the agreed timeframe. As a result of this incident the NW Ecological Services Team will implement regular checks and utilise calendar tools to provide timely reminders. ii. Condition A4 and A15– timing of works deviated from the schedule detailed in the site registration form. Management of the licence will be undertaken by the Ecological Services Team in future who will ensure a closer working relationship with project teams to take appropriate action should deviations occur. iii. Condition A15 - works extended beyond the timeframe detailed in the authorised site registration form as for (i) above. The Ecological Services Team will highlight the importance of sticking to agreed dates and the requirement to notify them in a timely manner if delays are likely to occur. Upon discovery that the licence had expired for this element of work, NW took immediate action to inform Natural England and an extension was granted. NW did receive a warning letter. • Waskerley Interest of Safety scheme – agreed working area and materials storage within NW ownership boundary which was not on any designated land. However, when construction began the contractor required more space and chose an area of grassland outside the NW boundary which was within a SSSI/SAC/SPA designated area. Natural England decided no further action was necessary as no designated features were damaged. • Kielder Waterside – maintenance work to cabins in April 2024 resulted in disturbance to bats when no licence was in place. Natural England were informed of the incident after the event. • Bakethin Reservoir – regeneration of riprap occurred around April 2024 in an area known to have a high risk of reptiles including adders. Work took place without any protected species surveys. The Ecological services team subsequently provided advice on both the legislation and hibernacula.

Legislation	Section	Duty	Detail of departure
Water Industry Act 1991 (Also Urban Wastewater Treatment (England & Wales) Regulations 1994 and Licence Condition P)	94	General duty to provide sewerage system	Following Ofwat's investigation in this area, we have now agreed an undertaking under WIA Sn19, which contains our action plan for maintaining compliance in these areas.
Water Industry Act 1991	199	Sewer maps	In common with other wastewater companies in England and Wales not all sewers are mapped, in particular those that were transferred assets from local authorities. Records are updated regularly to reflect any changes identified in sewer locations or attributes but the cost of full surveys of all sewer assets is generally deemed to be uneconomic.
The Environmental Damage (Prevention and Remediation) (England) Regulations 2015	32	Provision of information to the enforcing authority	We self-reported 90% of pollution incidents to the Environment Agency. Where incidents that caused damage to the environment were not reported to the Environment Agency, there were mainly from assets without monitoring and telemetry, such as our sewer network. The other 10% of incidents were reported by the Environment Agency or by members of the public.
Urban Wastewater Treatment (England & Wales) Regulations 1994	Regulation 4	Duty to provide and maintain collecting systems and treatment plants	There were a limited number of sample failures in the year resulting in one failed works. In addition there were a limited number of treatment works which failed the discharge permit conditions for flow to full treatment in the year. These have all been reported to the Environment Agency.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each current Director is aware, there is no relevant audit information of which the Company's auditor is unaware and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

CONDITION G (Principles for Customer Care)

Condition G requires the Company to adopt high standards of customer service, appropriate support for the full diversity of our customers' needs and to deliver the principles for customer care set out in the Licence.

Our core strategies which deliver this are:

- Our Unrivalled Customer Experience Strategy outlines our ambition and approach to customer service, including detailing how we provide multiple communication channels for customers.
- Our Inclusivity Strategy details how we serve vulnerable customers and engage with them and other stakeholders about our services and support, whether financial or otherwise.

We remain committed to continuous improvement and learning to ensure that we meet and exceed the requirements of Condition G. Over the past year, we have identified areas for improvement and taken actions as appropriate.

- Following our refresh of our Customer Experience Strategy, we introduced a video learning suite to provide more information business wide built around our Six Customer Priorities and Six Pillars of Customer Experience. Each video focuses on one of the six pillars and uses real examples, tools and tips to bring them to life. The video suite now forms part of our new starter induction pack.
- We used our employee roadshows in Autumn to highlight the importance of our Pillars and Priorities, and give our people practical examples of how we bring them to life.
- As part of our improvement plans an empathy training module was created and delivered across our Customer teams to explain how empathy could be applied to every customer interaction.
- We have further developed our Inclusivity Strategy and Policy, incorporating feedback from CCW on improving use of demographics to better understand our customers, and focusing on providing support to those are most at risk of detriment.
- We have reviewed our customer correspondence templates to ensure that we continue to provide customers with the right information at the right time, focussing on making sure that each letter was easy to understand and that key information was highlighted.
- We have worked to ensure we provide engaging digital experiences for all customers who choose to contact us this way, taking feedback from customers and data analytics to improve our digital experiences.
- We have introduced more ‘how to’ videos onto our website allowing more customers to self-serve. To ensure our videos meet the diverse needs of our customers, subtitles and scripts are available if needed.
- Our approach to incident management is under continuous review, learning from our experiences. We are reviewing our approach to customer communications during incidents to ensure it reflects best practices. Our new incident management page, highlighted by CCW as industry-leading, can be found on our websites.
- Incident management training has taken place for 150 key managers and employees, and we have introduced a competency scheme for incident managers empowering them to take swift and appropriate decisions during different levels of incident.

Further detail on these and other improvement actions can be found on pages 28-30.

CONDITION P (Ring-fencing Certificate)

As required by Condition P of our Licence, the Board has provided this ring-fencing certificate to Ofwat in accordance with the requirements and expectations set out in Information Notice IN 20/01.

The Directors certify that, in their opinion:

- the Appointee will have available to it sufficient financial resources and facilities to enable it to carry out, for at least the next 12 months, its Regulated Activities (including the investment programme necessary to fulfil the Appointee's obligations under the Appointment);
- the Appointee will, for at least the next 12 months, have available to it management resources and systems of planning and internal control which are sufficient to enable it to carry out its Regulated Activities;
- the Appointee has available to it sufficient rights and resources, other than financial resources, to enable a special administrator to manage the affairs, business and property of the Appointee, should a special administration order be made; and
- all contracts entered into with any Associated Company include all necessary provisions and requirements concerning the standard of service to be supplied to the Appointee, to ensure that it is able to meet all its obligations as a water and sewerage undertaker.

In providing this certificate, the Directors have considered the following main factors:

Financial resources and facilities

- the financial strength of the Company at the balance sheet date and financial performance, which is in line with expectations and reviewed at each Board meeting, most recently in April 2025;
- the key financial ratios over the next 12 month planning horizon, as reflected in investment grade credit ratings;
- £90m of proceeds from new debt issuance, received in April 2024, with a further £50m term loan signed after the balance sheet date;
- the fact that the Company has in place £500m of committed bank facilities as back up liquidity, maturing in April 2028 with options to extend to April 2030;
- the £6bn EMTN programme, renewed in March 2025, of which £1.3bn has been utilised to date, and the near-term Financing Plan, approved by the Board in April 2025, which will enable the Group to raise sufficient debt financing to meet its needs for at least the next 12 months; and
- the Directors assessment that the Company should be able to manage its business risks, continue to operate and meet its liabilities as they fall due over the 10 years to March 2035, reported in the viability statement.

Management resources

- the balance and effective operation of the Board, on which Independent Non-executive Directors (INEDs) are the largest group, as described in the Corporate Governance report in our Annual Report and Financial Statements;
- the work of the Nomination Committee for the appointment of senior positions;
- the experience and broad-ranging skills and experience of the INEDs and Executive Leadership Team;

- the engagement of staff, demonstrated by the 91% response rate and 78% Trust Index score for our annual Great Place to Work survey, and award of Great Place to Work Certified Employer Status again;
- the further development and embedding of our Inclusion and Diversity Strategy called TIDE (Together for Inclusion, Diversity and Equity).

Systems of planning and internal control

- the Company's formal governance and risk management arrangements which are monitored by the Audit Committee, Risk & Compliance Sub-committee and Board.
- the work of the Board and its Committees to monitor the risk and control systems throughout the year, including conducting a robust assessment of principal risks and an annual review of the effectiveness of the Company's risk management and internal control systems, oversight of the work carried out by external auditor, internal audit and other assurance providers, and monitoring compliance with procedures to prevent bribery and receiving reports on any whistleblowing allegations;
- the monitoring and review throughout the year of the principal risks and uncertainties facing the business by the Risk & Compliance Sub-committee;
- the Company's robust business continuity arrangements.

Rights and resources other than financial resources

- the Company's business model comprising its Purpose, Vision, Strategic Themes, Values and Reputation and how these are delivered, as set out in Our Purpose report;
- the robust IT infrastructure and investment in recent years in major technology transformation programmes for billing and customer contact and asset management and field working;
- our asset management governance structure, certified under ISO 55001 and the development of our service planning framework.

Contracting

- the approval by the Board of all significant contracts, including framework contracts with strategic supply chain partners in our Living Water Enterprise model and wider ecosystem of partners to support shorter cycle and lower complexity work, to deliver the challenges of the AMP8 capital investment programme;
- disclosure of all transactions with associated companies, of which no new arrangements were entered into during the year;
- an internal audit of compliance with RAG 5.07 Guideline for transfer pricing, which confirmed that there were no areas of significant non-compliance but identified a small number of areas for improvement in disclosure which have been reflected in this APR.

Material issues or circumstances.

The Directors considered all material circumstances, including in its approval of the going concern statement and viability statement. No other material issues or circumstances were identified.

Deloitte LLP have carried out assurance on the ring-fencing certificate, in accordance with the Company's Instrument of Appointment. The assurance was in the form of agreed upon procedures and the assurance report has been submitted separately to Ofwat.

This certificate was approved by the Board on 14 July 2025.

CONDITION P26 (Credit Rating)

The Directors confirm that throughout 2024/25 the Appointee has ensured that it, and an Associated Company as issuer of debt on its behalf, has maintained an issuer credit rating which is an investment grade rating.

VIABILITY STATEMENT

The Directors confirm that over the long-term the business remains financially resilient but have concerns about the rate of return at PR24.

Financial forecasts over longer-term timeframes are inherently subject to more risk that the assumptions adopted will not be realised. The Directors have confirmed that the business remains a going concern. In considering the longer-term viability, the Directors note that the Board considered that the PR24 FD did not strike the right balance between the need for investment and the pressure on bills and did not provide a sufficiently attractive return for equity investors. Consequently, the Board requested Ofwat to refer the FD to the CMA for redetermination, a process which is ongoing.

This statement and the supporting analysis takes account of the FD for 2025-30 and latest forecasts of investment requirements for the 2030-35 period, consistent with our long-term strategy. This is still subject to review by the CMA process for the next 5 years and by Ofwat in its PR29 price review for the following 5 years. The longer-term view assumes that the 2029 price review will provide a sufficient rate of return to enable the Company to finance its functions, as well as setting stretching but achievable targets and allowing sufficient totex to enable an efficient company to meet its obligations and service level targets. This is consistent with Ofwat's statutory duty to ensure that efficient companies are financeable.

The increased scale of this investment programme in AMP8 and beyond creates a need for additional equity investment under most scenarios. The timing of additional equity will be determined so as to support the retention of two strong investment grade credit ratings. However, given the uncertainty over the ongoing CMA redetermination process, we do not expect new equity capital to be provided until after the CMA's final decision, and by 31 March 2026 at the latest.

The Directors have assessed the future prospects of the Group and consider that it should be able to manage its business risks, continue to operate and meet its liabilities as they fall due over the 10 years to March 2035 given the long-term nature of the business. Whilst the Directors consider that the business will remain financeable with regards to its obligations to debt financing and credit ratings, they remain significantly concerned that the returns Ofwat has set out in its PR24 FD are not sufficient to attract the necessary investment that is likely to be needed to meet the new capital needs and, in the round, offer reasonable returns on that investment.

Following from the above, our Board can confirm that we would be financeable over the long term to 2035 specifically in relation to debt. However, we do not think that Ofwat's FD weighted cost of capital is consistent with the risks faced by our equity investors.

This confirmation is given based on the latest information and evidence available to NWL

In arriving at their conclusion, the Directors have taken into account:

- the Licence which is in place on a rolling 25 year basis;
- the controls and protections provided by the independent regulatory regime including the primary duty of Ofwat to ensure that efficient companies are able to finance their functions, including earning a reasonable return on the capital invested;
- revenue from wholesale and household retail price controls to March 2030 provided by the PR24 FD, which may be subject to revision by the CMA redetermination;
- the financial strength of the Group at the balance sheet date and the fact that the Group has a £500m committed bank facility as back up liquidity, of which £75m was drawn at 31 March 2025, maturing in April 2028 with options to extend until April 2030, and a further of £90m new debt which was received after the balance sheet date, with a further £50m term loan signed after the balance sheet date;
- the £6bn EMTN programme, renewed in March 2025, of which £1.3bn has been utilised to date, which enables the Group to raise new financing in a timely manner as required;
- the key financial ratios over the planning horizon of the Group's financial forecast to March 2030 and extended forecast to March 2035, as reflected in investment grade credit ratings;
- the submitted PR24 business plan, and ongoing activities to address both the deliverability challenge and the financeability challenge created by the increased scale of the AMP8 capital programme;
- the Board's dividend policy;
- the extent to which equity could be raised in NWL if required;
- the principal risks and uncertainties facing the Group and the mitigating controls, as described on pages 54 to 59 of the NWL Annual Report & Financial Statements, which are monitored by the Audit Committee, R&CSC and Board; and
- the work of the Audit Committee, on behalf of the Board, to review and approve the baseline plan and stress test scenarios and to review the outputs of the stress testing in the context of the Group's financial resilience.

To support the Directors in their assessment of viability, the Audit Committee carried out a thorough review process.

This included discussing and approving appropriate updates to the Board approved plan to reflect latest economic projections, in particular inflation assumptions and discussing an appropriate forward testing period. This concluded that the base forward plan should be updated to reflect the PR24 FD and latest inflation forecasts.

The Audit Committee also discussed and approved the range and severity of stress test scenarios to be applied to the baseline plan, taking account of the principal risks of the business. The stress tests are set out in detail below. The Audit Committee then reviewed the detailed outcomes of the stress testing and the potential impact on the Group's key financial ratios and discussed appropriate mitigating actions which could be taken if the need arose. Following this process, the Audit Committee recommended approval of the viability statement to the Board.

The Directors have chosen a period of 10 years to March 2035 to assess the viability of the Group

This period has been chosen to align with the regulatory price review period to March 2030 and forecasts for the following price review to March 2035, which are consistent with our long-term strategy. Whilst the Directors do not believe that it is possible to test financial resilience beyond March 2030 to the same level of robust detail, given uncertainty of revenue and returns past this point, they have performed an assessment of viability beyond the PR24 price control period against an extended plan applying reasonable assumptions for the PR29 price review, which include a sufficient rate of return to enable the Company to finance its functions. Whilst the investment horizon in the sector is around 20 years, following the concept of asset and liability matching, the Board considered that 10 years is a long-term and pragmatic period over which reasonable judgements about the future can be made.

The financial forecast has been stress tested under a number of severe adverse scenarios linked to the Group's principal risks.

The scenarios were selected after considering the principal risks and uncertainties facing the Group and the key economic and financial variables which could impact on the forecast. The combined impact of multiple scenarios has also been tested.

The stress tests were assessed in the context of NWL's overarching financial objective of maintaining prudent investment grade credit ratings consistent with its Licence, and the Board's target of retaining regulatory gearing of around 70%. Whilst the viability statement relates specifically to NWL, both rating agencies take account of NWGL metrics in their methodologies, therefore, the impact on both NWL and NWGL financial plans have been considered.

The table below sets out the stress tests performed, how they map to the principal risks, the severity of the adverse scenarios applied, the outcome in the context of the key financial ratios and potential mitigating actions where required.

Ref	Stress Test	Principal Risk	Scenarios	Outcome	Mitigation
1	Lower inflation, reducing allowed revenue and RCV growth	Regulatory and political changes	1% per annum lower than base forecast, sustained over period	No material impact on credit ratios in AMP8. Limited impact on gearing into AMP9.	Strong cost management Board's dividend policy Additional equity raising
2	Increased borrowing costs for raising new and refinanced debt	Regulatory and political changes Funding and liquidity risk Financial performance	2% higher than base forecast	Lower interest cover which, without mitigation, could result in a credit rating downgrade in AMP8. Impacts into AMP9 should be mitigated by higher cost of debt at PR29.	Strong cost management Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising

3	Defined benefit pension scheme deficit increases impacting credit ratios.	Regulatory and political changes	Additional £100m deficit	No material impact on gearing or credit ratios.	None required
4	Higher operating costs, reflecting costs of delivering service levels to customers and the environment	Customer and stakeholder trust and confidence Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change Regulatory and political changes Financial performance	10% increase in current planned spend	Lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.	Strong cost management Outcome performance focus Efficient financing Engagement with rating agencies Board’s dividend policy Additional equity raising
5	Higher capital costs, reflecting input cost pressures and maintaining asset health		10% increase in current planned investment	No material impact on credit ratios in AMP8. Limited impact on gearing into AMP9 which, without mitigation, could result in a credit rating downgrade, though still at investment grade.	
6	Higher totex costs		Combination of scenarios 4 and 5	Increased gearing and lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.	
7	Impact of incident crystallising one of the principal risks identified on pages 54 to 59 of the NWL Annual Report and Financial Statements	Water/wastewater service failure Cyber security Asset health deterioration	One off impact of £50m operating cost	No material sustained impact on gearing or credit ratios. Reputational impact could affect stakeholder views of the business over longer term.	None required (Outcome performance focus maintained)
8	Regulatory penalty for poor performance or non-compliance with obligations	Health & safety Water/wastewater service failure Asset health deterioration	One off penalty of 10% of regulated revenue	No material sustained impact on gearing or credit ratios. Reputational impact could affect stakeholder views of the business over longer term.	None required (Outcome performance focus maintained)

9	Sustained deterioration in household revenue collection due to cost of living pressures	Customer and stakeholder trust and confidence	Up to 2% pa	No material impact on gearing or credit ratios.	None required
10	Net ODI penalty; significant penalty in one year due to failures to meet regulatory PCs	Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change	3% of RoRE	No material sustained impact on gearing or credit ratios.	None required (Outcome performance focus maintained)
11	Net ODI penalty; sustained under-performance over period	Water/wastewater service failure Supply chain failure Asset health deterioration Effect of climate change	1% of RoRE each year	No material impact on credit ratios in AMP8. Limited impact on gearing into AMP9 which, without mitigation, could result in a credit rating downgrade	Outcome performance focus Engagement with rating agencies Board's dividend policy Additional equity raising
12	Combined impact of adverse economic movements		Scenarios 1, and 2	Lower interest cover which, without mitigation, could result in a credit rating downgrade in AMP8. Impacts into AMP9 should be mitigated by higher cost of debt at PR29.	Strong cost management Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising

13	Combined impact of adverse company performance		Scenarios 6, 8 and 10	Lower interest cover which, without mitigation, could result in a credit rating downgrade and potential dividend lock-up, though still at investment grade.	Strong cost management Outcome performance focus Efficient financing and index-linked debt Engagement with rating agencies Board's dividend policy Additional equity raising

The baseline plan is compatible with retaining the Group's investment grade credit ratings.

None of the stress test scenarios undermined the Group's long term financial resilience. However, certain scenarios, specifically higher operating and capital costs, a substantial increase in the cost of raising new finance or sustained ODIO penalties, indicated a risk of a credit rating downgrade and potential dividend lock up, though still at investment grade. In the Board's opinion, even the most severe scenarios were not indicative of falling below investment grade credit rating.

To the extent that any of these scenarios, in isolation or combination, would place retention of the Group's investment grade credit rating or liquidity position at risk, the Board would seek to take mitigating actions. This includes:

- **Strong cost management** - additional controls on discretionary costs and phasing of capital expenditure, taking care not to impact on service levels to customers;
- **Outcome performance focus** - ongoing focus on delivering regulatory performance commitments to benefit customers and the environment and generate net rewards/avoid penalties;
- **Efficient financing** - flexible and efficient financing of new debt to minimise interest charges, including increased proportion of index-linked debt if appropriate;
- **Alternative financing approaches –** if normal sources of financing are unavailable, consider alternative approaches, including extending revolving credit facilities or short term shareholder finance;
- **Engagement with rating agencies** - maintain open engagement with rating agencies to allow informed, holistic assessments of credit quality to be made;
- **Board's dividend policy** - application of the Board's dividend policy, which allows equity to be retained in NWL if required; and
- **Additional equity** - discussions with shareholders in respect of any equity raising that may be required.

The business has not required an additional equity injection up to this point.

In the viability statement last year, we highlighted the need within the business for new equity investment in almost all future investment scenarios. All equity investors have choices about where they invest their capital and the market for that investment is global and competitive. Having reviewed the Ofwat FD our Board decided that they could not accept it and requested a redetermination from the CMA to reset the price control, including the allowed equity return. The Ofwat FD provided a cost of equity set at 5.1%, plus CPIH inflation, and our Board and shareholders do not consider that this return is likely to be sufficiently attractive to reflect the risk they would be taking with their equity injection when compared to the returns available on lower risk alternative investments.

Given the uncertainty over the ongoing CMA redetermination process, we do not expect new equity capital to be provided until after the CMA's final decision, and by 31 March 2026 at the latest. As part of the CMA's decisions it may also choose to reset other aspects of the determination such as cost allowances, service performance targets and incentives that will be available to companies which we will also need to consider as part of the overall package in the round.

As the ultimate controllers of Northumbrian Water Limited our shareholders are aware of the Board's obligations under the licence, including condition P, to ensure NWL has sufficient financial resources to enable it to carry out its functions in a sustainable manner and to maintain two strong investment grade credit ratings. Whilst the business will need new equity in the future, we currently have a strong equity buffer and strong credit ratings. We are getting on with the important work delivering the substantial investment programme at pace regardless of the CMA outcome and will revisit the equity injection following the CMA's final decision. Each shareholder confirms that the ongoing financial resilience of Northumbrian Water is of significant importance to them, and subject to the approval of each shareholders' investment committee, support will be provided on its merits in each case.

Assurance

The Board engaged Deloitte LLP to provide third party assurance, in the form of agreed upon procedures

BOARD STATEMENT ON ACCURACY AND COMPLETENESS OF DATA AND INFORMATION

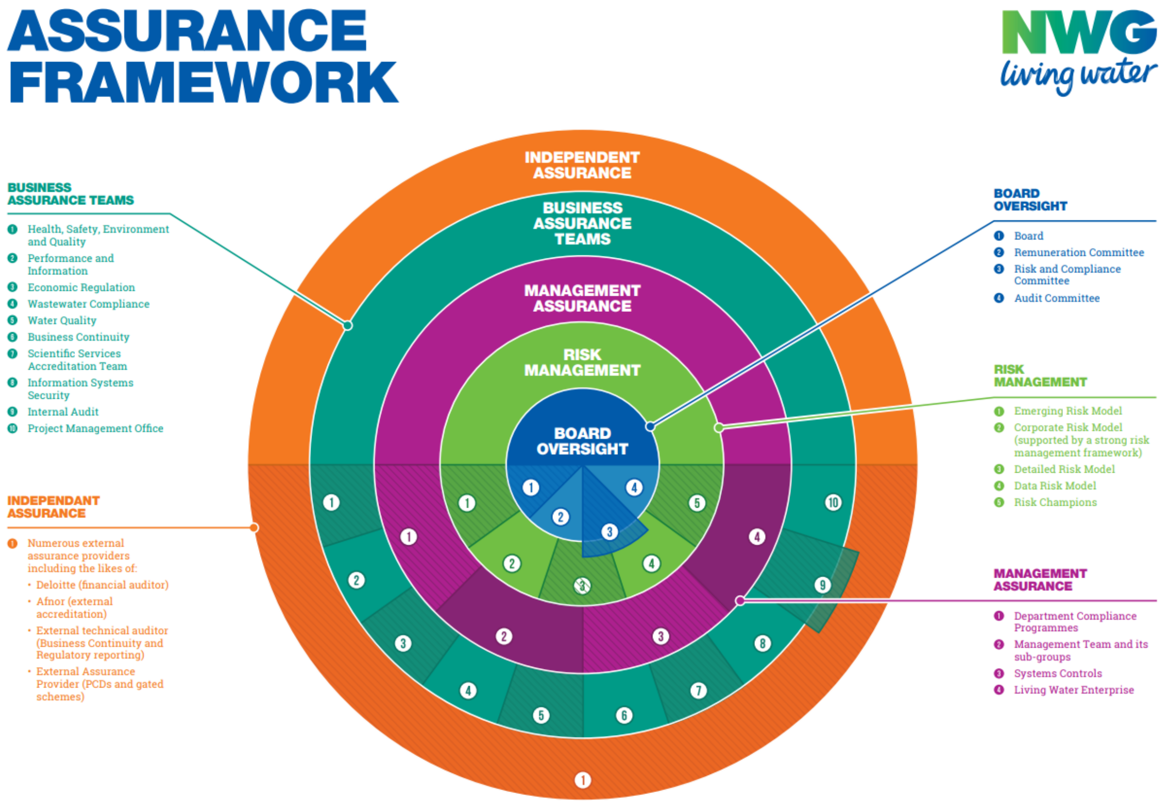
In the opinion of the Board, based on the governance and assurance arrangements in place, the data and information contained in this Annual Performance Report and provided to Ofwat during the year is complete and has a high degree of accuracy. Our Data Assurance Statement provides a detailed review of the assurance work carried out in the year and the findings of our assurance providers, upon which this opinion is based.

Governance Arrangements & Assurance Framework

The Board is committed to providing regulatory data and information that is accurate, clear and transparent in order to maintain the trust of our customers and stakeholders. The Board takes ownership of the arrangements for governance and assurance of regulatory submissions and reporting. This is monitored and controlled through the Board's Audit Committee and Risk & Compliance Sub-committee, which report regularly to the Board.

The Board has put in place a comprehensive assurance framework, shown in the diagram below. This has Board oversight at its core, supported by a risk management framework and multiple layers of internal and external assurance.

The Risk & Compliance Sub-committee, on behalf of the Board, carried out its annual review of the effectiveness of the Company's risk management and internal control systems. This review confirmed that the Company has strong systems of internal control and robust processes in place to enable it to identify, evaluate and manage the risks it faces and to ensure that its obligations are met. These systems and processes are embedded in the organisation and are reviewed regularly by the Board, its Committees and Sub-committee. The annual review confirmed that the risk management and internal control systems have operated effectively through the year and that there have been no significant failings or weaknesses.



Activities in the Year

We provide stakeholders with an annual Data Assurance Statement which details our approach to assurance and the assurance arrangements we have in place. This reports also details any material findings and includes full copies of the audit opinions received from external providers.

The Board, through the work of its Audit Committee, has continued to improve regulatory data through the year. This plan was designed to address areas of risk identified in reports from our assurance providers for the 2023/24 APR, as well as areas where the source of data has changed during the year and where there are new reporting requirements. This included:

- The information reported as part of Average Pumping Head and Water Assets (in particular Pumping station network) has been improved, the completeness of data reported has been investigated by data owners to improve the accuracy of reporting. The collation and documentation of the data has also been condensed which has made for a more efficient audit;
- In the current year, non household property data has been taken directly from the Central Market Operating System (CMOS) to increase accuracy of the reporting.

As part of the approval process for this APR, the Audit Committee received assurance reports from the Internal Audit manager, the external technical assurer, PricewaterhouseCoopers LLP, and the financial auditor, Deloitte LLP.

Greenhouse gases require specific third-party assurance from an appropriately qualified company to the ISO standard 14064. Their assurance has been completed and their opinion is included in the Data Assurance Statement.

These all confirm there were no significant issues to report.

Conclusion

The Board is satisfied that the governance and assurance arrangements it has put in place are comprehensive and robust and have operated effectively throughout the year. On this basis, the Board is confident that the data reported has a high degree of accuracy. However, no assurance process can give an absolute guarantee of total accuracy, especially given the extremely large volume of data in the APR and the fact that some of the reported information is dependent on expert judgement and assumptions, for example accounting separation data.

By order of the Board

Andrew J Hunter
Chairman

Heidi Mottram
CEO

Alan Bryce
Senior Independent
Non-Executive Director

Dominic Chan
Non-Executive Director

H L Kam
Non-Executive Director

Duncan Macrae
Non-Executive Director

Jacquie McGlade
Independent Non-Executive Director

Bridget Rosewell
Independent Non-Executive Director

Richard Sexton
Independent Non-Executive Director

Peter Vicary-Smith
Independent Non-Executive Director

14 July 2025

(a) Regulatory Accounts - Basis of Accounting

The Regulatory Accounting Statements, on pages 122 to 198 of the APR, have been prepared in accordance with the Regulatory Accounting Guidelines (RAGs) issued by Ofwat. They have been prepared on a consistent basis to the Company's Consolidated Financial Statements, with the following exceptions:

- income relating to energy generation and meter reading, which is recorded as revenue in the statutory accounts, has been recorded as negative operating expenditure;
- rental income and amortisation of deferred capital income, which are recorded as revenue in the statutory accounts, have been recorded as other income below operating profit;
- profit on disposal of fixed assets, which is recorded as operating costs in the statutory accounts, has been recorded as other operating income;
- borrowing costs that are directly attributable to the acquisition or construction of an asset, which are capitalised in the statutory accounts, are charged to the income statement; and
- The net innovation fund receipt has been accrued in operating costs in the Statutory accounts but removed from the Regulatory accounts, in accordance with Ofwat guidance.

The information reported in the Regulatory Accounting Statements relates to NWL's Appointed business only, except where stated. The Appointed business comprises Regulated Activities, defined in Condition A of the Licence to be 'functions of' and the 'duties imposed on' a water and sewerage undertaker by the Water Industry Act 1991. Such duties are consequently those necessary for the Company to fulfil its duty as a water and sewerage undertaker.

NWL's Statutory Accounts have been produced on a consolidated basis for the year ended 31 March 2025, including subsidiaries related to an Asset Backed Funding arrangement in respect of the defined benefit pension scheme (see table 4W) and the Kielder securitisation financing arrangement. The ABF entities and the financing subsidiary, Northumbrian Finance plc, relate to the Appointed business. The subsidiaries related to the Kielder securitisation relate to the Non-Appointed business. The structure is explained in more detail in the NWL Annual Report and Financial Statements for the year ended 31 March 2025 published on our website.

The accounts have been prepared on a going concern basis which assumes that the Company will have adequate funding to meet its liabilities as they fall due in the foreseeable future.

(b) Revenue recognition

The revenue recognition policy is the same in the regulatory and statutory accounts, other than the exceptions related to income from energy generation, meter reading, rental income and deferred capital income, as explained above.

RAG 1.09 requires companies to recognise all revenue billed to properties which receive a service, other than if confirmed as void, and to assume that it is probable that this will be collected, disapplying IFRS 15 in this respect. NWL complies with this requirement.

Revenue from water and sewerage charges billed to customers is recognised pro-rata over the period to which it related. For consumption by measured customers which has not yet been billed, revenue is estimated and accrued using a defined methodology based upon historical usage and the relevant tariff per customer. Invoices raised or payments received where the service has not been provided are not recognised in revenue in the year but are treated as receipts in advance.

Additional charges added to a customer's account as a result of debt recovery activity, such as court costs or solicitors' fees, are recognised as negative operating costs when payment is received in both the statutory and regulatory accounts. They are not recognised in revenue.

Charges for water and sewerage services remain due in full whilst a property contains furnishings and fittings or when a property is unfurnished and water is being used for any purpose including refurbishment. If the Company has turned off the supply of water at the mains to a property at a customer's request, then water supply charges are not payable.

If the supply of water is turned off and the property is unfurnished the property is considered unoccupied and charges are not payable. If, however, the supply of water is turned off and the property remains furnished it is considered ready for occupation and in this case sewerage charges in respect of the drainage of surface water and contribution to highway drainage continue to be payable.

If a property is recorded as empty in the billing system an empty property process is followed. The purpose of this process is to verify whether the property is occupied or not and, if occupied, to identify the chargeable person and raise a bill. No bills are raised in the name of 'the occupier'.

The empty property process comprises a number of steps including an initial letter asking the occupier to either contact the Company or return a completed registration form, a check of the property record against Land Registry information, signs of an active credit reference file at the property and visits to the property by Company representatives. If these steps confirm that a property appears to be empty, then the supply may be turned off.

New properties are charged from the date a meter is installed, if consumption is being recorded on the meter. If the property is unoccupied but water is being registered, the developer will be charged. Once the developer is no longer responsible for a property, if no new occupier has been identified the property will be treated as unoccupied and the empty property process followed, as outlined above.

A retrospective review has confirmed that the measured household income accrual at 31 March 2024 of £72.7m was slightly higher than the amounts subsequently billed to customers of £70.1m, reflecting bill cancellations for properties subsequently identified to be empty and leakage allowances. An appropriate adjustment has been made as 31 March 2025 in respect of this matter.

(c) Bad debt policy

The policy for bad and doubtful debts is applied consistently between the statutory and regulatory accounts.

(i) Bad debt write offs

Debt is only written off after all available economic options for collecting the debt have been exhausted and the debt has been deemed to be uncollectable. This may be because the debt is considered to be impossible, impractical, inefficient or uneconomic to collect.

Situations where this may arise and where debt may be written off are as follows:

- where the customer has absconded without paying and strategies to trace their whereabouts and collect outstanding monies have been fully exhausted;
- where the customer has died without leaving an estate or has left an insufficient estate on which to levy execution;

- where the customer does not have any assets or has insufficient assets on which to levy execution;
- where the value of the debt makes it uneconomic to pursue;
- where county court proceedings and attempts to recover the debt by debt collection agencies have proved unsuccessful; and
- where the customer has been declared bankrupt, is in liquidation or is subject to insolvency proceedings or a debt relief order and no dividend has been or is likely to be received.

For debt to be written off there must be a legitimate charge against the debtor. If it is considered that part or all of the debt is incorrect or unsubstantiated, then such elements are dealt with through the issue of a credit note.

(ii) Bad debt provisioning

The Company's detailed bad and doubtful debts provision policy has remained unchanged during the year and has been consistently applied in the current and prior periods. The bad debt provision is charged to operating costs to reflect the Company's assessment of the risk of non recoverability of debtors. It is calculated by applying expected recovery rates to debts outstanding at the end of the accounting period. These recovery rates take into account the age of the debt, payment history and type of debt.

Higher provisioning percentages are applied to categories of debt which are considered to be of greater risk, including those with a poor payment history as well as to those of greater age. Bad debt provisioning rates are reviewed annually to reflect the latest collection performance data from the Company's billing system. Actual amounts recovered may differ from the estimated levels of recovery which could impact on operating results. A comparison of the provision against historical collection rates is carried out at the end of each year to validate and, if necessary, adjust the level of provision.

The provision has increased from £86.2m at 31 March 2024 to £91.7m at 31 March 2025, reflecting the assessment of recoverability of debt.

(d) Capitalisation policy

The policy for the capitalisation of costs as items of property, plant and equipment and intangible assets is applied consistently between the statutory and regulatory accounts, in accordance with IAS16 Property, Plant and Equipment and IAS38 Intangible Assets.

The application of this policy is summarised below. Further detail is provided in the accounting separation methodology statement published on our websites.

The cost of construction or purchase of new or replacement infrastructure and non-infrastructure assets is capitalised. Cost includes any costs directly attributable to bringing the asset into condition for use in the business, including directly attributable overhead costs but excluding general overhead costs. The costs of infrastructure and non-infrastructure assets are depreciated over their useful economic lives.

On the infrastructure network, capital replacement of assets includes any renewal of a full pipe length of main or sewer and replacement of ancillaries such as stop taps, valves, meter chambers and manhole covers.

Subsequent maintenance expenditure is treated as an operating cost unless it provides an enhancement of economic benefits in excess of the expected standard of performance such as an extension in the estimated useful life or an increase in capacity, in which case it is capitalised. Examples of maintenance costs charged as operating costs include pipe and tank cleaning, inspections, surveys and zonal studies.

(e) Accounting separation policy

Cost allocations have been prepared in accordance with RAG 2.08, 2.09 and RAG 4.12 for the definitions for the regulatory accounting tables. All costs are recorded in the accounting records by cost centre. Cost centres are defined either as a direct department, comprising operational and customer functions, or a support department. Direct departments are mostly directly allocated to service activities based on the nature of the function, although some costs require apportionment on an appropriate basis. Support departments are apportioned across the price controls either based upon a specific analysis of the costs or by apportionment by an appropriate cost driver. Once allocated to the appropriate price control the costs are then allocated to service activities pro-rata to full time equivalent staff numbers of the direct departments.

Fixed assets directly involved in the activities within each business unit are recorded against that business unit using direct allocation per the location or asset type. Where an asset is utilised in more than one business unit, the asset is allocated to the business unit of principal use and costs are recharged to other different business units on the same basis used to allocate operating expenditure.

Further detail is provided in the accounting separation methodology statement published on our website.

(f) Statement of Directors' remuneration and standards of performance

Directors' remuneration is fully disclosed in the NWL Annual Report and Financial Statements for the year ended 31 March 2025, in the Remuneration Committee Report on pages 76 to 89. This is published on our website. To avoid duplication, this information has not been replicated within the APR.

The Remuneration Committee Report has been produced in accordance with section 35A of the Water Industry Act 1991. It also has regard to the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 in respect of Directors' remuneration reporting for quoted companies, albeit in the context of a company which is not a listed public limited company.

1A INCOME STATEMENT
financial performance for the 12 months ended 31 March 2025

		Adjustments			
	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£'m	£'m	£'m	£'m	£'m
Revenue	1,017.2	(29.4)	(52.4)	(81.8)	935.4
Operating costs	(726.3)	19.5	31.7	51.2	(675.1)
Other operating income	-	1.2	(0.6)	0.6	0.6
Operating profit	290.9	(8.7)	(21.3)	(30.0)	260.9
Other income	-	11.9	(1.8)	10.1	10.1
Interest income	4.7	0.1	(0.8)	(0.7)	4.0
Interest expense	(172.0)	(22.7)	14.2	(8.5)	(180.5)
Other interest expense	(0.7)	-	(0.1)	(0.1)	(0.8)
Profit before tax and fair value movements	122.9	(19.4)	(9.8)	(29.2)	93.7
Fair value gains/(losses) on financial instruments	(9.2)	-	(6.0)	(6.0)	(15.2)
Profit before tax	113.7	(19.4)	(15.8)	(35.2)	78.5
UK Corporation tax	(3.6)	-	2.7	2.7	(0.9)
Deferred tax	(25.8)	4.8	1.6	6.4	(19.4)
Profit for the year	84.3	(14.6)	(11.5)	(26.1)	58.2
Dividends	(40.4)	-	-	-	(40.4)
Tax analysis					
Current year	4.7	-	(2.5)	(2.5)	2.2
Adjustments in respect of prior years	(1.1)	-	(0.2)	(0.2)	(1.3)
UK Corporation tax	3.6	-	(2.7)	(2.7)	0.9

Analysis of non-appointed revenue	
Imported sludge	-
Tankered waste	3.8
Other non-appointed revenue	48.6
Revenue	52.4

Differences between Statutory and Regulatory Definitions

Differences between statutory and RAG definitions are explained in note (a) of the Regulatory Accounting Policies and Disclosures.

The differences which result in a change to profit for the year reflect the following accounting treatments:

- capitalisation of borrowing costs, which are capitalised in the Statutory Financial Statements but charged to the Income Statement in the Regulatory Accounting Statements, along with the associated depreciation and deferred tax; and
- Innovation Fund costs, which are provided in the Statutory Financial Statements but removed from the Regulatory Accounting Statements, along with the associated tax.

Other changes are presentational in nature:

- income relating to energy generation and meter reading has been reclassified from revenue in the statutory accounts to negative operating costs;
- rental income, amortisation of deferred income and other contributions to capital investment have been reclassified from revenue in the statutory accounts to other income; and
- profit on disposal of fixed assets has been reclassified from operating costs in the statutory accounts to other operating income.

As explained in Note (a) of the Regulatory Accounting Policies and Disclosures, the NWL Statutory Accounts have been produced on a consolidated basis for the year ended 31 March 2024. The Non-appointed adjustments include the entities related to the Kielder securitisation. This applies to tables 1A to 1D.

Interest Analysis

Interest expense comprises:

	£'m
Loans from financing subsidiary	(123.5)
Amortisation of issuance costs	(3.8)
Accretion on index-linked debt	(37.2)
Accretion on index-linked swaps	(11.0)
Interest cost on pension	(0.7)
Obligations under leases	(4.3)
Interest expense	(180.5)

NWL has a financing subsidiary, Northumbrian Water Finance Limited, which raises listed debt on its behalf. The debt is then loaned to NWL at the same terms.

Other interest expenses represents interest cost on pension plan obligations.

1B STATEMENT OF COMPREHENSIVE INCOME
financial performance for the 12 months ended 31 March 2025

		Adjustments			
	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£'m	£'m	£'m	£'m	£'m
Profit for the year	84.3	(14.6)	(11.5)	(26.1)	58.2
Actuarial gains/(losses) on post employment plans	(18.8)	-	0.3	0.3	(18.5)
Other comprehensive income	(3.3)	-	-	-	(3.3)
Total Comprehensive income for the year	62.2	(14.6)	(11.2)	(25.8)	36.4

1C STATEMENT OF FINANCIAL POSITION
financial performance for the 12 months ended 31 March 2025
(Registered number 02366703)

		Adjustments			
	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£'m	£'m	£'m	£'m	£'m
Non-current assets					
Fixed assets	5,746.4	(100.7)	(102.0)	(202.7)	5,543.7
Intangible assets	57.4	(3.2)	(0.3)	(3.5)	53.9
Investments - loans to group companies	-	-	-	-	-
Investments - other	11.7	-	(11.6)	(11.6)	0.1
Total non-current assets	5,815.5	(103.9)	(113.9)	(217.8)	5,597.7
Current assets					
Inventories	14.9	-	(0.4)	(0.4)	14.5
Trade & other receivables	278.5	3.4	(0.9)	2.5	281.0
Cash & cash equivalents	164.6	-	(23.3)	(23.3)	141.3
Total current assets	458.0	3.4	(24.6)	(21.2)	436.8
Current liabilities					
Trade & other payables	(243.6)	(40.3)	10.6	(29.7)	(273.3)
Capex creditor	(69.9)	-	0.3	0.3	(69.6)
Borrowings	(341.6)	41.1	4.5	45.6	(296.0)
Financial instruments	(75.0)	-	-	-	(75.0)
Current tax liabilities	-	-	-	-	-
Provisions	(0.5)	-	-	-	(0.5)
Total current liabilities	(730.6)	0.8	15.4	16.2	(714.4)
Net current assets / (liabilities)	(272.6)	4.2	(9.2)	(5.0)	(277.6)
Non-Current liabilities					
Trade & other payables	-	-	-	-	-
Borrowings	(4,056.4)	-	216.3	216.3	(3,840.1)
Financial instruments	(95.5)	-	51.4	51.4	(44.1)
Retirement benefit obligations	(26.3)	-	(1.0)	(1.0)	(27.3)
Provisions	(5.6)	-	-	-	(5.6)
Deferred income - G&C's	(552.0)	-	0.5	0.5	(551.5)
Deferred income - adopted assets	-	-	-	-	-
Deferred tax	(642.3)	24.9	(7.2)	17.7	(624.6)
Total non-current liabilities	(5,378.1)	24.9	260.0	284.9	(5,093.2)
Net assets	164.8	(74.8)	136.9	62.1	226.9

1C STATEMENT OF FINANCIAL POSITION (continued)
financial performance for the 12 months ended 31 March 2025

		Adjustments			
	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
	£'m	£'m	£'m	£'m	£'m
Equity					
Called up share capital	122.7	-	(30.6)	(30.6)	92.1
Retained earnings & other reserves	42.1	(74.8)	167.5	92.7	134.8
Total Equity	164.8	(74.8)	136.9	62.1	226.9

Approved by the Board of Directors on 14 July 2025 and signed on their behalf by:

H Mottram

Differences Between Statutory and Regulatory Definitions

Differences between statutory and RAG definitions are explained in note (a) of the Regulatory Accounting Policies and Disclosures.

The change in net assets and total equity reflects the different treatment of borrowing costs, which are capitalised in the Statutory Financial Statements but charged to the income statement in the Regulatory Accounting Statements, along with the associated depreciation and deferred tax; and the removal of the provision for Innovation Fund costs from the Regulatory Accounts along with the associated tax. Other changes reflect the disaggregation of cash balances and trading balances between the appointed and non-appointed businesses.

1D STATEMENT OF CASH FLOWS
financial performance for the 12 months ended 31 March 2025

		Adjustments			
	Statutory	Differences between statutory and RAG definitions	Non-appointed	Total adjustments	Total appointed activities
					£'m
Operating profit	290.9	(8.7)	(21.3)	(30.0)	260.9
Other income	-	11.9	(1.8)	10.1	10.1
Depreciation	165.2	(2.7)	(2.8)	(5.5)	159.7
Amortisation - G&C's	-	-	-	-	-
Changes in working capital	10.1	(0.5)	(2.5)	(3.0)	7.1
Pension contributions	(15.3)	-	0.1	0.1	(15.2)
Movement in provisions	(5.7)	1.2	(0.6)	0.6	(5.1)
Profit on sale of fixed assets	1.2	(1.2)	0.6	(0.6)	0.6
Cash generated from operations	446.4	-	(28.3)	(28.3)	418.1
Net interest paid	(147.2)	-	13.3	13.3	(133.9)
Tax paid	0.3	-	1.5	1.5	1.8
Net cash generated from operating activities	299.5	-	(13.5)	(13.5)	286.0
Investing activities					
Capital expenditure	(547.0)	-	1.7	1.7	(545.3)
Grants & Contributions	13.3	-	-	-	13.3
Disposal of fixed assets	-	-	-	-	-
Other	(0.1)	-	0.1	0.1	-
Net cash used in investing activities	(533.8)	-	1.8	1.8	(532.0)
Net cash generated before financing activities	(234.3)	-	(11.7)	(11.7)	(246.0)
Cashflows from financing activities					
Equity dividends paid	(40.4)	-	-	-	(40.4)
Net loans received	389.1	-	13.5	13.5	402.6
Cash inflow from equity financing	-	-	-	-	-
Net cash generated from financing activities	348.7	-	13.5	13.5	362.2
Increase / (decrease) in net cash	114.4	-	1.8	1.8	116.2

Net interest paid comprises:

	£'m
Interest paid	(139.6)
Interest received	5.7
Net interest paid	(133.9)

1E NET DEBT ANALYSIS as at 31 March 2025
Appointed Business only

	Interest rate risk profile				
			Index linked		
	Fixed rate	Floating rate	RPI	CPI/CPIH	Total
	£'m	£'m	£'m	£'m	£'m
Borrowings (excluding preference shares)	2,572.3	428.9	1,074.0	228.5	4,303.7
Preference share capital					-
Total borrowings					4,303.7
Cash					(35.3)
Short term deposits					(65.0)
Net Debt					4,203.4
Gearing					72.4%
Adjusted Gearing					72.4%
Interest					
Full year equivalent nominal interest cost	114.4	22.4	47.1	8.9	192.8
Full year equivalent cash interest payment	114.4	22.4	16.1	2.9	155.8
Indicative interest rates					
Indicative weighted average nominal interest rate	4.45%	5.23%	4.39%	3.91%	4.48%
Indicative weighted average cash interest rate	4.45%	5.23%	1.50%	1.25%	3.62%
Time to maturity					
Weighted average years to maturity	8.1	2.1	16.9	14.6	9.8

Reconciliation of Borrowings

The table below reconciles borrowings reported in the table 1C, the statement of financial position, and borrowings reported in table 1E.

	£'m
Borrowings – current liabilities	(296.0)
Borrowings – non-current liabilities	(3,840.1)
Total borrowings per table 1C	**(4,136.1)**
Unamortised issuance costs	(45.4)
Index-linked swap accretion	(122.2)
Total borrowings per table 1E	**(4,303.7)**

1F FINANCIAL FLOWS for the 12 months ended 31 March 2025 and for the price review to date

	12 months ended 31 March 2025						Average 2020-25					
	%			£'m			%			£'m		
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Regulatory equity (£m)	1,773.2	1,773.2	1,253.8				1,671.1	1,671.1	1,249.0			
Return on regulatory equity	4.46	3.15	4.46	79.1	55.9	55.9	4.41	3.30	4.41	73.7	55.1	55.1
Financing												
Impact of movement from notional gearing		1.31	1.75		23.2	22.0		1.11	1.43		18.6	17.9
Gearing benefits sharing		-	-		-	-		-	-		-	-
Variance in corporation tax		0.10	0.13		1.7	1.7		0.29	0.41		5.2	5.2
Group relief		-	-		-	-		-	-		-	-
Cost of debt		0.51	1.00		9.1	12.7		1.37	2.33		24.3	29.2
Hedging instruments		0.55	0.78		9.8	9.8		0.40	0.57		7.1	7.1
Return on regulatory equity including Financing adjustments	4.46	5.62	8.12	79.1	99.7	102.1	4.41	6.47	9.15	73.7	110.3	114.5
Operational Performance												
Totex out / (under) performance		-6.79	-9.60		(120.3)	(120.3)		(1.99)	(2.81)		(35.2)	(35.2)
ODI out / (under) performance		-0.95	-1.35		(16.9)	(16.9)		(0.31)	(0.43)		(5.6)	(5.6)
C-Mex out / (under) performance		0.14	0.19		2.4	2.4		0.13	0.19		2.3	2.3
D-Mex out / (under) performance		0.04	0.06		0.7	0.7		0.02	0.04		0.3	0.3
Retail out / (under) performance		-0.72	-1.01		(12.7)	(12.7)		(0.56)	(0.79)		(9.9)	(9.9)
Other exceptional items		0.02	0.02		0.3	0.3		0.04	0.06		0.7	0.7
Operational performance total		-8.26	-11.69		(146.5)	(146.5)		(2.67)	(3.74)		(47.4)	(47.4)
RoRE (return on regulatory equity)	4.46	-2.64	-3.57	79.1	(46.8)	(44.4)	4.41	3.80	5.41	73.7	62.9	67.1
RCV growth	3.46	3.46	3.46	61.4	61.4	43.4	5.68	5.68	5.68	94.9	94.9	70.9
Voluntary sharing arrangements		-	-		-	-		-	-		-	-
Total shareholder return	7.92	0.82	-0.11	140.5	14.6	(1.0)	10.09	9.48	11.09	168.6	157.8	138.0

1F FINANCIAL FLOWS for the 12 months ended 31 March 2025 and for the price review to date (continued)

	12 months ended 31 March 2025						Average 2020-25					
	%			£'m			%			£'m		
	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity	Notional returns and notional regulatory equity	Actual returns and notional regulatory equity	Actual returns and actual regulatory equity
Dividends												
Gross Dividend	3.18	1.77	2.51	56.4	31.4	31.4	3.18	4.13	5.53	53.1	69.1	69.1
Interest Receivable on Intercompany loans		-	-		-	-		-	-		-	-
Retained Value	4.74	-0.95	-2.62	84.1	(16.8)	(32.4)	6.91	5.35	5.56	115.5	88.7	68.9
Cash impact of 2015-20 performance adjustments												
Totex out / under performance		-	-		-	-		0.06	0.08		1.0	1.0
ODI out / under performance		-	-		-	-		-	-		-	-
Total out / under performance		-	-		-	-		0.06	0.08		1.0	1.0

Explanation of Financial Flows

The purpose of this table is to provide transparency of financial flows to investors, comparing actual flows, and the main elements of performance which contribute to these flows, against the financial flows assumed by Ofwat under the notional structure at the last price review.

The table shows performance for 2024/25 and cumulative performance for the full five years of the 2020-2025 price control period. All of the financial values are expressed in the same 2017/18 price base as the PR19 price review. Where prior year numbers have been restated within the cumulative performance, this is explained below.

Return on regulatory equity (RORE)

At PR19, the base notional RORE was set at 4.46% for 2024/25. The regulatory equity base represents the proportion of RCV funded as equity rather than debt. Ofwat's notional structure for PR19 assumed net debt at 60% of RCV, equating to base regulatory equity of 40%, or £1,773m at March 2025.

NWL's actual average gearing in 2024/25 was 71.3%, due to having higher net debt than assumed by Ofwat's notional structure, resulting in actual regulatory equity of 28.7% of RCV, or £1,254m.

Financing

This section of the report relates to performance from financing and tax.

Gearing is calculated as net debt divided by RCV. NWL's average gearing was 71.3%, remaining above Ofwat's notional structure assumption of 60%. The more efficient capital structure has generated a financing benefit of £22m. The CMA redetermination removed the gearing sharing mechanism for NWL.

Corporation tax reports the difference current tax funded in the FD and the actual tax rate applied to profit before fair value, adjusted for capital allowances. Although the Company made a profit before tax in the year, the impact of the capital allowances has resulted in only a small variance on tax. A reconciliation of our current tax to FD allowance is provided on page 135. All tax losses acquired from related parties in the year were paid for in full.

Cost of debt performance is reported in real terms, rather than nominal. As reported in table 4H, around 60% of the Company's debt is at fixed rate and not impacted by indexation. In 2024/25, the real cost of debt was 0.72% lower than allowed in the FD due to CPIH inflation being higher than assumed in FD, generating a £22.4m outperformance on cost of debt, including interest rate swaps.

The net effect of financing and tax in the year was an outperformance of FD allowance by £24.1m, or 1.92% of actual regulatory equity.

Operational Performance

This section of the report explains the impact of operational performance on wholesale totex, ODIs and retail costs, each of which is explained elsewhere in this report.

Wholesale totex performance reflects the performance presented in table 4C, and excludes variations due to timing of expenditure. The underperformance of £120.3m reflects overspends across all price controls as a result of high capital expenditure in the year to complete the AMP7 enhancement programs and maintain asset health. This is explained in the commentary to table 4C.

ODI performance against our PCs is reported in the tables in section 3, with table 3H reporting the summary incentive rewards and penalties (excluding C-MeX and D-MeX rewards as explained below). The reported performance for the year for in-period adjustments is a net penalty of £16.9m, including the application of end of AMP penalties for PCC and the smart metering programme. Our performance against each ODI is explained earlier in this report.

Performance rewards on C-MeX and D-Mex are based on comparative performance across the sector and are not finalised until later in the year. For the purposes of this table, the performance is reported a year in arrears so the rewards of £2.4m for C-MeX and £0.7m for D-MeX relate to 2023/24 performance and do not reflect our overall 1st place overall for C-MeX in 2024/25.

Retail costs were higher than the PR19 allowance by £12.7m, as explained in the narrative to table 2C and due in the main part to the allowance not being increased each year for inflation.

Exceptional items of £0.3m reflects the company's share of benefits from the disposal of surplus land and properties, as reported in table 2L.

The net effect of operational performance in the year was an underperformance of FD allowance by £146.5m, 11.68% of regulatory equity.

Total Shareholder Return

The total shareholder return comprises base RORE, financing performance, operational performance and growth in the RCV as allowed in the FD. Our total shareholder return was -£1.1m, primarily due to the totex overspend in the year.

Retained Value

Our dividend policy is set out on page 158 and we explain how this dividend policy is applied on pages 160 to 162. The dividend reported in the table is for dividends paid during the year, reflecting only a final dividend for 2023/24, as no interim dividend was paid for 2024/25. This resulted in retained value of -£32.5m for 2024/25.

AMP7 Overall Performance

Average total shareholder return for AMP7 was £138.2m, comprising RoRE of £67.3m and RCV growth of £70.9m. Average retained value was £69.1m per annum.

APPOINTED BUSINESS TAXATION

The rate of UK corporation tax for the current year was 25%. The movement in the Company's deferred tax liabilities has been calculated at 25%.

Current tax for the Appointed business is derived by adjusting the Company's statutory position by the amount relating to the activities of the Non-appointed business. The Appointed business credit for the year of £2.4m (£2.2m charge in the income statement and £4.6m credit in other comprehensive income) relates to £2.4m receivable from fellow group companies in respect of tax losses that will be surrendered by the Appointed business. Payments for the losses will be made at the full rate of corporation tax.

The prior years' corporation tax credit of £1.3m reflects revisions to tax reliefs for capital expenditure, R&D claims made and losses surrendered to the Company's joint ventures Vehicle Lease and Service Limited and Anglian Water Business (National) Limited. Payments for the losses will be made at the full rate of corporation tax.

The current corporation tax credit of £2.4m reflects a change of £1.7m compared to the credit of £0.7m in 2023/24 and is explained by the increase in profit before tax and fair value movements (+£20.2m), a reduction in the allowable deduction for loan accretion within fair value derivative movements (+£2.8m), an increase in tax reliefs claimed on capital expenditure by way of capital allowances disclaimers (-£29.7m), a reduction in pension contributions paid in excess of accounts service and finance costs (+£4.8m) and other small variances (+£0.2m).

The deferred tax charge for the Appointed business is derived by adjusting the Company's statutory charge of £23.4m (£25.8m charge in the income statement and £2.4m credit in other comprehensive income) by amounts relating to accounting differences (i.e. capitalised interest: charge of £4.9m; Innovation Fund: credit £0.1m) and the activities of the Non-appointed business (charge of £1.5m). The resulting Appointed business charge of £17.1m includes £16.1m charge for the current year and £0.9m charge for prior years. Deferred tax in the year and at the balance sheet date is all provided at 25%, being the rate at which temporary differences are expected to reverse.

An explanation of why the current tax charge for the Appointed business is higher than the result of applying the standard rate of corporation tax to loss before tax is provided in the table below:

	Total appointed activities
	£'m
Profit before tax and fair value movements	93.7

Profit before tax and fair value movements multiplied by standard rate of corporation tax of 25%	23.4
EFFECTS OF:	
Expenses incurred that are not deductible for tax purposes	0.7
Loan accretion in derivatives allowable deduction	(3.2)
Depreciation in respect of non-qualifying items	1.2
Tax reliefs claimed for capital expenditure in excess of accounts depreciation	(22.8)
Grants and contributions received in excess of accounts amortisation	7.6
Pension contributions paid in excess of accounts service and finance costs	(3.7)
Other temporary differences	0.3
Tax losses carried forward	(1.3)
Adjustments in respect of prior periods	(1.3)
UK:UK transfer pricing adjustments	(1.2)
Balancing payment payable	1.2
Appointed current tax charge per line 1A.12	0.9

Future tax charges will be affected by the following matters:

'The Company expects to continue to incur high levels of capital expenditure during the 2026-30 regulatory review period which should result in claims for tax reliefs in excess of depreciation.

The full expensing regime for capital allowances was made permanent in Finance Act 2024. As a result the Company expects to continue to generate a tax loss over the 2026-30 regulatory review period. The Company intends to limit the level of tax losses arising by way of disclaiming capital allowances, however, the Company will utilise brought forward tax losses to the extent that the group does not exceed the £5 million annual allowance of unrestricted profit.

The Organisation for Economic Co-operation and Developments (OECD) released Pillar Two model rules in December 2021 introducing a global minimum tax rate of 15% to address the tax concerns about uneven profit distribution and tax contributions of large multinational corporations. In December 2022, the OECD released transitional safe harbour rules as a short-term measure to minimise the compliance burden for lower risk jurisdictions.

The Pillar Two top-up tax rules were substantially enacted in the UK in 2023 with application from 1 January 2024. The Company does not expect to be subject to the top-up tax in relation to its operations because it falls within the OECD transitional safe harbour rules which have also been adopted by the UK. The Company has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and will account for it as current tax when it is incurred.

CURRENT TAX RECONCILIATION TO FD

An allowance for corporation tax was made in the Final Determination (FD) at PR19. Actual performance differs to the FD for a number of reasons. As far as current tax is concerned, the charge for the year is reconciled to the FD allowance as follows:

	Total appointed activities £'m
Current tax charge (at 25%) allowed in price limits	0.4
Net decrease in profit before tax and depreciation	4.0
Increase in allowable pension contributions	(3.1)
Increase in tax reliefs for capital expenditure	5.8
Decrease in amortisation of grants and contributions	(1.7)
Increase in service income taxed via capital allowances	0.1
Loan accretion in derivatives allowable deduction	(3.2)
Other	0.8
Tax losses utilised in the year	(0.90)
Adjustment in respect of prior years	(1.3)
Appointed current tax credit per line 1A.12	0.9

APPOINTED BUSINESS TAX STRATEGY

Scope

The Company is required, by section 3.32 of RAG 3.14, to publish details of its Tax Strategy relating to the Appointed Business within the Annual Performance Report. For the avoidance of doubt, the Company has a single Tax Strategy which applies to its Appointed and Non-appointed businesses, as well as to its subsidiaries.

The Tax Strategy set out below is for the Company's financial year ended 31 March 2025 in order to satisfy the requirements of Schedule 19, Finance Act 2016.

Aim

The Company is committed to fully complying with all the statutory tax obligations that are imposed on its individual members or on the Company as a whole, including the provision of tax returns, the payment and recovery of taxes at the right time, and the provision of all relevant information to HM Revenue and Customs (HMRC) to support the amounts of tax concerned. These taxes include corporate income taxes, employment taxes, property taxes, withholding taxes, VAT, customs duties and other indirect taxes, taxes imposed on a multinational or global basis, and all other government-mandated levies.

The Company's Board owns and approves the Tax Strategy which comprises the following four components:

a) Tax governance arrangements

The Board reviews and approves all significant investment and business operating decisions directly or delegates the appropriate authority. The Company's Audit Committee considers significant tax related matters as part of its monitoring of internal controls and financial reporting arrangements.

The Chief Financial Officer is the member of the Executive Leadership Team with responsibility for tax matters. Day-to-day management of the Company's tax affairs is delegated to the Tax Manager and to other appropriately qualified staff who have responsibility for specific taxes. All staff with responsibility for tax report to members of the Company's senior management team which, in turn, reports to the Board.

The Company's tax affairs are conducted in a business-like manner in accordance with the Company's commitment to corporate responsibility.

b) Tax risk management framework

The Company’s Risk Committee oversees the risk assessment process applied by the business which includes an assessment of tax risks.

As far as possible, through the activities of its Board, Committees and personnel responsible for tax matters, the Company seeks to manage the level of tax risk arising from its operations by ensuring appropriate processes and controls are in place.

The Company only takes tax positions which are justifiable and based on law, with advice taken from reputable professional firms where necessary. In accordance with internal governance procedures, any transaction that is likely to have material tax consequences must be referred to the Board.

To help manage tax risk, the Company’s taxation affairs are only handled by appropriately qualified and experienced staff and, where necessary, training is given to non-tax staff who are involved in processes which have tax implications.

The Company does not tolerate or condone any form of tax evasion, whether committed or facilitated by its own staff or any associated persons (e.g. agents and other persons who perform services for or on behalf of the Company) and manages this risk by the use of appropriate processes.

c) Approach to tax planning

The Company considers tax as part of its business decision making process. When entering into commercial transactions, the Company seeks to obtain the benefit of tax incentives, reliefs and exemptions available under UK tax legislation, consistent with the purpose and the letter of the law.

The tax affairs of the Company are arranged and managed in response to, and in support of, its business or commercial activities. Related party transactions are managed and documented to ensure they are in compliance with local tax law and practice.

d) Relationship with HMRC

The Company seeks to have a transparent and constructive relationship with HMRC on all taxation matters and keeps HMRC aware of significant transactions and business developments. All contact with HMRC is conducted in a professional and courteous manner.

The Company seeks to obtain certainty from HMRC at the earliest opportunity on the tax treatment of complex or uncertain issues or to establish the appropriate understanding or interpretation of the law. Discussions with HMRC are held at least annually to review past and present tax risks and agree on the steps required to take matters forward. Resolution of any disputed matters will be sought through open discussion and negotiation with HMRC, but the Company is prepared to litigate in cases where it believes the technical basis of a decision is incorrect.

The Company takes an active role in the development of the UK’s legislative framework through participation at company or industry level in Government consultations on significant new tax laws.

Publication date: 14 July 2025.

2A SEGMENTAL INCOME STATEMENT for the 12 months ended 31 March 2025

	Residential retail	Business retail	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Revenue - price control	65.8	-	139.0	372.1	309.3	31.0	917.2
Revenue - non price control	-	-	-	17.4	0.8	-	18.2
Operating expenditure - excluding PU recharge impact	(61.4)	-	(93.5)	(219.2)	(135.5)	(4.1)	(513.7)
PU opex recharge	(2.6)	-	(1.4)	7.6	(3.0)	(0.7)	(0.1)
Operating expenditure - including PU recharge impact	(64.0)	-	(94.9)	(211.6)	(138.5)	(4.8)	(513.8)
Depreciation - tangible fixed assets	(1.8)	-	(7.9)	(76.7)	(56.7)	(8.1)	(151.2)
Amortisation - intangible fixed assets	(2.6)	-	-	(6.0)	-	(0.1)	(8.7)
Other operating income	-	-	-	0.2	0.4	-	0.6
Operating profit	(2.6)	-	36.2	95.4	115.3	18.0	262.3
Surface water drainage rebates							0.5

2B TOTEX ANALYSIS: WHOLESALE

for the 12 months ended 31 March 2025

	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m
Base operating expenditure					
Power	17.1	36.4	39.4	1.3	94.2
Income treated as negative expenditure	-	-	-	(17.3)	(17.3)
Abstraction charges/ discharge consents	56.0	0.5	7.2	-	63.7
Bulk Supply/Bulk discharge	1.4	-	-	-	1.4
Renewals expensed in year (Infrastructure)	-	0.5	0.1	-	0.6
Renewals expensed in year (Non-Infrastructure)	0.2	5.8	2.3	0.4	8.7
Other operating expenditure (including Location specific costs & obligations)	6.0	141.4	76.5	18.6	242.5
Local authority and Cumulo rates	3.2	20.4	8.8	1.8	34.2
Total base operating expenditure	83.9	205.0	134.3	4.8	428.0
Other operating expenditure					
Enhancement operating expenditure	2.0	1.7	3.5	-	7.2
Developer services operating expenditure	-	0.6	0.6	-	1.2
Total operating expenditure excluding third party services	85.9	207.3	138.4	4.8	436.4
Third party services	9.0	4.3	0.1	-	13.4
Total operating expenditure	94.9	211.6	138.5	4.8	449.8
Grants and contributions - operating expenditure	-	-	-	-	-
Capital expenditure					
Base capital expenditure	31.4	153.2	92.6	18.3	295.5
Enhancement capital expenditure	5.4	97.0	130.8	0.7	233.9
Developer services capital expenditure	-	22.9	2.4	-	25.3
Total gross capital expenditure excluding third party	36.8	273.1	225.8	19.0	554.7
Third party services	-	0.9	-	-	0.9
Total gross capital expenditure	36.8	274.0	225.8	19.0	555.6
Grants and contributions - capital expenditure	-	16.2	3.1	-	19.3
Net totex	131.7	469.4	361.2	23.8	986.1
Cash expenditure					
Pension deficit recovery payments	0.1	3.3	1.7	0.1	5.2
Other cash items	-	-	-	-	-
Totex including cash items	131.8	472.7	362.9	23.9	991.3

2C COST ANALYSIS: RETAIL

for the 12 months ended 31 March 2025

	Residential	Business	Total
	£'m	£'m	£'m
Operating expenditure			
Customer services	16.4	-	16.4
Debt management	4.8	-	4.8
Doubtful debts	25.4	-	25.4
Meter reading	2.3	-	2.3
-		-	-
Other operating expenditure	11.4	-	11.4
Local authority and Cumulo rates	0.2	-	0.2
Total operating expenditure excluding third party services	60.5	-	60.5
Depreciation			
Depreciation (tangible fixed assets) on assets existing at 31 March 2015	0.3	-	0.3
Depreciation (tangible fixed assets) on assets acquired after 1 April 2015	1.5	-	1.5
Amortisation (intangible fixed assets) on assets existing at 31 March 2015	-	-	-
Amortisation (intangible fixed assets) on assets acquired after 1 April 2015	2.5	-	2.5
Recharges			
Recharge from wholesale for legacy assets principally used by wholesale (assets existing at 31 March 2015)	0.7	-	0.7
Income from wholesale for legacy assets principally used by retail (assets existing at 31 March 2015)	(0.1)	-	(0.1)
Recharge from wholesale assets acquired after 1 April 2015 principally used by wholesale	2.1	-	2.1
Income from wholesale assets acquired after 1 April 2015 principally used by retail	(0.1)	-	(0.1)
Net recharges costs	2.6	-	2.6
Total retail costs excluding third party and pension deficit repair costs	67.4	-	67.4
Third party services operating expenditure	-	-	-
Pension deficit repair costs	0.9	-	0.9
Total retail costs including third party and pension deficit repair costs	68.3	-	68.3
Debt written off	13.9	-	13.9
Capital expenditure	3.0	-	3.0

Comparison of actual and allowed expenditure	
Cumulative actual retail expenditure to reporting year end	308.5
Cumulative allowed expenditure to reporting year end	247.4
Total allowed expenditure 2020-25	247.4

Retail revenue and cost reconciliation to FD

Household retail revenue, reported in table 2I, was £65.8m, which was broadly in line with the revenue allowed in the FD of £66.7m.

Household retail costs excluding pension deficit repair costs, in table 2C above, were £67.4m, which was £16.3m higher than allowed in the FD.

The retail cost base is higher than the allowance in the FD, reflecting inflationary pressures on staff and other costs which were not allowed in the FD plus an increase in the bad debt provision.

2D HISTORIC COST ANALYSIS OF TANGIBLE FIXED ASSETS

for the 12 months ended 31 March 2025

	Residential Retail	Business retail	Water resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cost							
At 1 April 2024	32.3	-	396.4	3,836.3	3,332.3	215.0	7,812.3
Disposals	(0.1)	-	(0.2)	(4.8)	(2.6)	(0.4)	(8.1)
Additions	2.9	-	36.9	263.5	225.7	19.0	548.0
Adjustments	0.6	-	6.2	(5.7)	(3.2)	2.1	-
Assets adopted at nil cost	-	-	-	6.8	17.3	-	24.1
At 31 March 2025	35.7	-	439.3	4,096.1	3,569.5	235.7	8,376.3
Depreciation							
At 1 April 2024	(29.3)	-	(88.3)	(1,423.5)	(991.6)	(156.8)	(2,689.5)
Disposals	0.1	-	0.2	4.8	2.6	0.4	8.1
Adjustments	0.1	-	0.1	(0.3)	0.1	-	-
Charge for year	(1.8)	-	(7.9)	(76.7)	(56.7)	(8.1)	(151.2)
At 31 March 2025	(30.9)	-	(95.9)	(1,495.7)	(1,045.6)	(164.5)	(2,832.6)
Net book amount at 31 March 2025	4.8	-	343.4	2,600.4	2,523.9	71.2	5,543.7
Net book amount at 1 April 2024	3.0	-	308.1	2,412.8	2,340.7	58.2	5,122.8
Depreciation charge for year							
Principal services	(1.8)	-	(7.6)	(76.7)	(56.7)	(8.1)	(150.9)
Third party services	-	-	(0.3)	-	-	-	(0.3)
Total	(1.8)	-	(7.9)	(76.7)	(56.7)	(8.1)	(151.2)

The net book value includes £465.8m in respect of assets in the course of construction.

2E ANALYSIS OF 'GRANTS AND CONTRIBUTIONS': WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+

for the 12 months ended 31 March 2025

	Fully recognised in income statement	Capitalised and amortised (in income statement)	Fully netted off capex	Total
	£'m	£'m	£'m	£'m
Grants and contributions - water resources				
Diversions - s185	-	-	-	-
Other contributions (price control)	-	-	-	-
Price control grants and contributions	-	-	-	-
Diversions - NRSWA	-	-	-	-
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	-	-	-	-
Total	-	-	-	-
Value of adopted assets	-	-		-
Grants and contributions - water network+				
Connection charges	-	5.8	-	5.8
Infrastructure charge receipts	-	2.8	-	2.8
Requisitioned mains	-	4.2	-	4.2
Diversions - s185	1.0	-	-	1.0
Other contributions (price control)	1.4	-	-	1.4
Price control grants and contributions before deduction of income offset	2.4	12.8	-	15.2
Income offset	-	1.8	-	1.8
Price control grants and contributions after deduction of income offset	2.4	11.0	-	13.4
Diversions - NRSWA	2.7	-	-	2.7
Diversions - other non-price control	-	-	-	-
Other contributions (non-price control)	0.1	-	-	0.1
Total	5.2	11.0	-	16.2
Value of adopted assets	-	6.8		6.8
Grants and contributions - wastewater network+				
Receipts for on-site work	-	1.1	-	1.1
Infrastructure charge receipts	-	0.3	-	0.3
Diversions - s185	0.2	-	-	0.2
Other contributions (price control)	-	0.7	-	0.7
Price control grants and contributions before deduction of income offset	0.2	2.1	-	2.3
Income offset	-	-	-	-
Price control grants and contributions after deduction of income offset	0.2	2.1	-	2.3
Diversions - NRSWA	-	-	-	-
Diversions - other non-price control	-	-	-	-
Other Contributions (non-price control)	0.8	-	-	0.8
Total	1.0	2.1	-	3.1
Value of adopted assets	-	17.3		17.3

2E ANALYSIS OF 'GRANTS AND CONTRIBUTIONS': WATER RESOURCES, WATER NETWORK+ AND WASTEWATER NETWORK+ (continued)

for the 12 months ended 31 March 2025

	Water resources	Water network+	Wastewater network+	Total
	£'m	£'m	£'m	£'m
Movements in capitalised grants and contributions				
Brought forward	0.6	286.1	233.8	520.5
Received in year (above)	-	11.0	2.1	13.1
Adopted assets	-	6.8	17.3	24.1
Transferred from receipts in advance	-	(0.3)	0.4	0.1
Amortisation (in income statement)	-	(4.0)	(2.4)	(6.4)
Carried forward	0.6	299.6	251.2	551.4

Grants and contributions falling within the wholesale price control, and therefore also reported on table 2B, comprise connection charges, infrastructure charge receipts and requisitioned mains and sewers.

2F RESIDENTIAL RETAIL
for the 12 months ended 31 March 2025

	Revenue	Number of customers	Average residential revenues
	£'m	000s	£
Residential revenue			
Wholesale charges	654.6		
Retail revenue	65.8		
Total residential revenue	720.4		
Retail revenue			
Revenue Recovered ("RR")	65.8		
Revenue sacrifice	-		
Actual revenue (net)	65.8		
Adjustment			
Allowed revenue ("R")	66.7		
Net adjustment	0.9		
Customer information			
Actual customers ("AC")		1,996.5	
Reforecast customers		1,997.1	
Other residential information			
Average residential retail revenue per customer			33.0

2G & 2H NON-HOUSEHOLD WATER AND WASTEWATER REVENUES BY TARIFF TYPE

NWL exited the NHH retail market at 1 April 2017 and transferred its NHH retail business to an acquiring licenced retailer, NWGB, another subsidiary of NWGL.

In accordance with RAG 4.13, as NWL has exited all NHH market activities, we are no longer required to publish tables 2G and 2H.

NWL still provides wholesale water and wastewater services to NHH properties in our areas of supply. The NHH wholesale revenue for the year ended 31 March 2025 was £196.8m, as reported in table 2I.

2I REVENUE ANALYSIS for the 12 months ended 31 March 2025

	Household	Non-household	Total	Water resources	Water network+	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Wholesale charge - water						
Unmeasured	207.9	1.7	209.6	60.1	149.5	209.6
Measured	194.5	100.0	294.5	78.1	216.4	294.5
Third party revenue	1.9	5.1	7.0	0.8	6.2	7.0
Total wholesale water revenue	404.3	106.8	511.1	139.0	372.1	511.1

	Household	Non-household	Total	Wastewater network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Wholesale charge - wastewater						
Unmeasured - foul charges	93.2	0.8	94.0	83.8	10.2	94.0
Unmeasured - surface water charges	40.5	2.2	42.7	38.5	4.2	42.7
Unmeasured - highway drainage charges	19.2	1.0	20.2	20.0	0.2	20.2
Measured - foul charges	48.8	45.5	94.3	86.4	7.9	94.3
Measured - surface water charges	32.5	27.7	60.2	54.2	6.0	60.2
Measured - highway drainage charges	16.0	12.8	28.8	26.3	2.5	28.8
Third party revenue	0.1	-	0.1	0.1	-	0.1
Total wholesale wastewater revenue	250.3	90.0	340.3	309.3	31.0	340.3

	Household	Non-household	Total
Wholesale charge - Additional Control			
Unmeasured	-	-	-
Measured	-	-	-
Total wholesale additional control revenue	-	-	-
Wholesale Total	654.6	196.8	851.4
Retail revenue			
Unmeasured	23.2	-	23.2
Measured	42.6	-	42.6
Other third party revenue	-	-	-
Retail Total	65.8	-	65.8
Third party revenue - non-price control			
Bulk supplies - water			4.7
Bulk supplies - wastewater			-
Other third party revenue			13.4
Principal services - non-price control			
Other appointed revenue			0.1
Total appointed revenue			935.4

2I REVENUE ANALYSIS for the 12 months ended 31 March 2025 (continued)

Wholesale revenue control reconciliation to FD

Charges for 2024/25 were set in accordance with the price controls set by Ofwat in its PR19 Final Determination subsequently adjusted by the CMA appeal process.

Household voids have increasing slightly from 3.29% to 3.62% at the end of March 2025.

For our non-household charging base, during the year we have seen consumption increase slightly in line with the return to workplaces noted above. Non-household voids have remained relatively stable.

Wholesale water revenue in 2024/25 was £4.0m (0.8%) higher than the revenue cap income allowance due to increased volumes being billed in the year. This is all within the Water Resources price control. Network+ price control, grants and contributions income was £10.2m (43%) lower than the allowed revenue for the period. This lower level was reflected in 2024/25 price setting and rebalanced between primary charges and grants and contributions.

Wholesale wastewater revenue in 2024/25 was £0.3m (0.1%) higher than the revenue cap income allowance. This is split between the network+ and bioresources price controls which were £0.4m (0.1%) higher and £0.4m (1.3%) higher respectively. Within the network+ price control, grants and contributions income is £2.2m (50%) lower than the allowed revenue for the period. This lower level was reflected in 2024/25 price setting and rebalanced between primary charges and grants and contributions.

The revenue imbalances in the table above (for water resources and the network+ controls) will be incorporated into the Revenue Forecasting Incentive model and will be corrected within charges for 2026/27 against the relevant price controls.

2J INFRASTRUCTURE NETWORK REINFORCEMENT COSTS for the 12 months ended 31 March 2025

	Network reinforcement capex	On site / site specific capex (memo only)
	£'m	£'m
Wholesale water network+ (treated water distribution)		
Distribution and trunk mains	4.8	-
Pumping and storage facilities	-	-
Other	-	-
Total	4.8	-
Wholesale wastewater network+ (sewage collection)		
Foul and combined systems	-	-
Surface water only systems	-	-
Pumping and storage facilities	-	-
Other	-	-
Total	-	-

2K INFRASTRUCTURE CHARGES RECONCILIATION for the 12 months ended 31 March 2025

	Water	Wastewater	Total
	£'m	£'m	£'m
Impact of infrastructure charge discounts			
Infrastructure charges	2.8	0.3	3.1
Discounts applied to infrastructure charges	0.6	-	0.6
Gross infrastructure charges	3.4	0.3	3.7
Comparison of revenue and costs			
Variance brought forward	(3.4)	0.8	(2.6)
Revenue	2.8	0.3	3.1
Costs	(4.8)	-	(4.8)
Variance carried forward	(5.4)	1.1	(4.3)

Reconciliation of infrastructure charges and network reinforcement costs

Infrastructure charges are set at a level to fund investment in reinforcement of our networks, to meet the demand arising from new development of household properties. We are required to ensure that revenue from infrastructure charges broadly matches network reinforcement expenditure over a five year rolling period.

We review infrastructure charges annually, taking account of extra capacity expected to be required as a result of new developments in the following five years. Our forecast reflects applications received for the provision of new infrastructure, pre-development enquiries and a longer term view of local authority plans and strategic studies.

Water

During 2024/25, expenditure on water network reinforcement projects was greater than infrastructure charges receipts. The net position at the end of 2024/25 was that the cumulative expenditure on water network reinforcement is £5.4m more than the infrastructure charge income received (2023/24: £3.4m more). The projected network reinforcement expenditure over the next five years is expected to be significant to support new development growth. Water infrastructure charges have been increased in 25/26 and are likely to increase further to fund the next five year’s reinforcement expenditure

Wastewater

During 2024/25, expenditure on wastewater network reinforcement projects was less than infrastructure charges receipts. The net position at the end of 2024/25 was that the cumulative expenditure on wastewater network reinforcement is £1.2m less than the infrastructure charge income received (2023/24: £0.8m less). The projected network reinforcement expenditure over the next five years has been reassessed and is not expected to be significant. Wastewater infrastructure charges are expected to remain at their reduced level.

2L LAND SALES for the 12 months ended 31 March 2025

	Water resources £'m	Water Network+ £'m	Wastewater Network+ £'m	Total £'m
Land sales – proceeds from disposals of protected land	0.7	0.1	-	0.8

Land Sales during 2024/25

There were no qualifying disposals to report to Ofwat during the year.

2M REVENUE RECONCILIATION: WHOLESALE for the 12 months ended 31 March 2025

	Water resources	Water network+	Wastewater network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m
Revenue recognised					
Wholesale revenue governed by price control	139.0	372.1	309.3	31.0	851.4
Grants & contributions (price control)	-	13.4	2.3	-	15.7
Total revenue governed by wholesale price control	139.0	385.5	311.6	31.0	867.1
Calculation of the revenue cap					
Allowed wholesale revenue before adjustments (or modified by CMA)	135.2	361.7	306.7	30.6	834.2
Allowed grants & contributions before adjustments (or modified by CMA)	-	23.6	4.6	-	28.2
Revenue adjustment	-	-	-	-	-
Other adjustments	-	-	-	-	-
Revenue cap	135.2	385.3	311.3	30.6	862.4
Calculation of the revenue imbalance					
Revenue cap	135.2	385.3	311.3	30.6	862.4
Revenue Recovered	139.0	385.5	311.6	31.0	867.1
Revenue imbalance	(3.8)	(0.2)	(0.3)	(0.4)	(4.7)

2N RESIDENTIAL RETAIL SOCIAL TARIFFS for the 12 months ended 31 March 2025

	Revenue	Number of customers	Average amount per customer
	£'m	000s	£
Number of residential customers on social tariffs			
Residential water only social tariffs		28.8	-
Residential wastewater only social tariffs		-	-
Residential dual service social tariffs		77.5	-
Number of residential customers not on social tariffs			
Residential water only no social tariffs		757.1	-
Residential wastewater only no social tariffs		72.2	-
Residential dual service no social tariffs		1,061.0	-
Social tariff discount			
Average discount per water only social tariffs customer			115.1
Average discount per wastewater only social tariffs customer			-
Average discount per dual service social tariffs customer			173.7
Social tariff cross-subsidy - residential customers			
Total customer funded cross-subsidies for water only social tariffs customers	3.3		
Total customer funded cross-subsidies for wastewater only social tariffs customers	0.4		
Total customer funded cross-subsidies for dual service social tariffs customers	13.5		
Average customer funded cross-subsidy per water only social tariffs customer			4.2
Average customer funded cross-subsidy per wastewater only social tariffs customer			-
Average customer funded cross-subsidy per dual service social tariffs customer			11.8

2N RESIDENTIAL RETAIL SOCIAL TARIFFS for the 12 months ended 31 March 2025 (continued)

	Revenue	Number of customers	Average amount per customer
	£'m	000s	£
Social tariff cross-subsidy - company			
Total revenue forgone by company to fund cross-subsidies for water only social tariffs customers	-		
Total revenue forgone by company to fund cross-subsidies for wastewater only social tariffs customers	-		
Total revenue forgone by company to fund cross-subsidies for dual service social tariffs customers	-		
Average revenue forgone by company to fund cross-subsidy per water only social tariffs customer			-
Average revenue forgone by company to fund cross-subsidy per wastewater only social tariffs customer			-
Average revenue forgone by company to fund cross-subsidy per dual service social tariffs customer			-
Social tariff support - willingness to pay			
Level of support for social tariff customers reflected in business plan			16.9
Maximum contribution to social tariffs supported by customer engagement			16.9

Section B - WaterSure tariffs

	Revenue	Number of customers	Average amount per customer
	£'m	000s	£
WaterSure tariffs			
Number of unique customers on WaterSure		23.0	
Total reduction in bills for WaterSure customers	5.5		
Average reduction in bills for WaterSure customers			238.8

20 HISTORIC COST ANALYSIS OF INTANGIBLE FIXED ASSETS for the 12 months ended 31 March 2025

	Residential Retail	Business Retail	Water Resources	Water Network+	Wastewater Network+	Bioresources	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Cost							
At 1 April 2024	40.1	-	-	105.8	1.0	0.3	147.2
Disposals	-	-	-	-	-	-	-
Additions	-	-	-	10.7	-	-	10.7
Adjustments	1.4	-	-	(1.4)	-	-	-
Assets adopted at nil cost	-	-	-	-	-	-	-
At 31 March 2025	41.5	-	-	115.1	1.0	0.3	157.9
Amortisation							
At 1 April 2024	(14.9)	-	-	(79.4)	(0.9)	(0.1)	(95.3)
Disposals	-	-	-	-	-	-	-
Adjustments	-	-	-	-	-	-	-
Charge for year	(2.6)	-	-	(6.0)	-	(0.1)	(8.7)
At 31 March 2025	(17.5)	-	-	(85.4)	(0.9)	(0.2)	(104.0)
Net book amount at 31 March 2025	24.0	-	-	29.7	0.1	0.1	53.9
Net book amount at 1 April 2024	25.2	-	-	26.4	0.1	0.2	51.9
Amortisation for year							
Principal services	(2.5)	-	-	(6.0)	(0.1)	-	(8.6)
Third party services	-	-	-	-	-	-	-
Total	(2.5)	-	-	(6.0)	(0.1)	-	(8.6)

The net book value includes £8.0m in respect of assets in the course of construction.

DISCLOSURE OF TRANSACTIONS WITH ASSOCIATES

Services supplied to the appointee by associated companies:

Nature of transaction	Company	Turnover of associate	Terms of supply	Value
		£'m		£'m
Holding company charges	NWGL	10.4	No market	2.554
Public liability insurance (deductible infill policy)	Three Rivers Insurance Company Limited (TRICL)	0.3	No market	0.346
Vehicle maintenance and capital finance charge	Vehicle Lease and Service Limited (VLS)	23.7	Competitive letting	20.143
Corporation tax group relief surrendered by regulated business	Caledonian Environmental Levenmouth Treatment Services Limited	9.5	No market	0.324
Corporation tax group relief surrendered by regulated business	Reiver Finance Limited	19.3	No market	1.354
Corporation tax group relief surrendered by regulated business	Northumbrian Water Finance plc	-	No market	0.085
Water and Sewerage Supplies	Anglian Water Business National Ltd	554.9	Competitive	0.181
Mains repairs + Trade effluent charges	Northern Gas Networks	552.5	No market	0.008
Construction	UK Power Networks	1,824.7	No market	0.127

Services supplied by the appointee to associated companies:

Nature of transaction	Company	Turnover of associate	Terms of supply	Value
		£'m		£'m
Rental of garage and service charges	VLS	23.7	Negotiated	0.130
Service charge in compliance with the WROA agreement	Reiver Finance Limited	19.3	No market	0.200
UK:UK transfer pricing tax adjustment	Northumbrian Water Finance Limited	-	No market	0.085
UK:UK transfer pricing tax adjustment	Northumbrian Water Group Limited	10.4	No market	1.113
Water and Sewerage Supplies	Anglian Water Business National Ltd	554.9	Competitive	132.407
Mains repairs + Trade effluent charges	Northern Gas Networks	552.5	No market	0.105
Rental Income	UK Power Networks	1,824.7	No market	0.001

Turnover data for all companies relates to the year to 31 March 2025, with the exception of data for VLS which relates to the year to 31 December 2024 and UK Power Networks which relates to 31 March 2024.

Payment for tax losses transferred between group/associated companies and UK:UK transfer pricing adjustments is calculated as the gross amount of the item multiplied by the corporation tax rate for the year.

Services provided to the non-appointed business:

	Basis of recharge	£'m
Treatment of imported sludge	The average unit cost per tonne dry solid is calculated using operating costs only and excluding payroll. This gives a unit rate which is more than the incremental cost but less than the income received therefore sharing the benefit of the activity.	0.008
Treatment of tankered waste	The recharge comprises recovery of operating costs of operator time and sampling and analysis and a charge for the use of appointed business assets, calculated using the Biological and Sludge elements of the trade effluent charge set out in the Company's Wholesale Charges Scheme.	2.288
Other	Other assets are specifically identified to the appropriate business.	-

Information in relation to allocations and apportionments

The appointed and non-appointed businesses operate separate accounting records including sales and purchase ledgers. Revenue, operating costs, assets and liabilities are taken directly from these records.

Revenue is separately recorded between wholesale water and wastewater and household and non-household retail services and no apportionment has been necessary. Operating costs have been allocated between wholesale water and wastewater and household and non-household retail services in accordance with the guidance set out in RAG 4.12.

Overhead costs incurred in the appointed business which relate to the non-appointed business have been allocated using an activity based approach to comply with RAG 5.07.

Interest has been allocated between the appointed and non-appointed businesses on the basis of actual cash balances held by these businesses during the year at market rates. Capital costs and the related depreciation charges are specifically identifiable to the appropriate business and service.

The surrender of tax losses to the non-appointed business recognises that the appointed business has tax losses while the non-appointed business has taxable profits which will be offset within the appointee's tax return.

Borrowings

At 31 March 2025, the appointee's appointed business had the following borrowings issued by associated companies:

			%	£'m
Northumbrian Water Finance plc	Fixed rate Eurobond	Feb-23	6.875	-
	Fixed rate Eurobond	Apr-33	5.625	345.324
	Index linked Eurobond	Jul-36	2.033	305.885
	Index linked Eurobond	Jan-41	1.6274	121.011
	Index linked Eurobond	Jul-49	1.7118	200.512
	Index linked Eurobond	Jul-53	1.7484	200.515
	Fixed rate Eurobond	Jan-42	5.125	344.200
	Fixed rate Eurobond	Oct-26	1.625	299.580
	Fixed rate Eurobond	Oct-27	2.375	299.142
	Index linked Private Placement	Oct-39	CPI + 0.242	125.208
	Fixed rate Eurobond	Oct-34	6.375	392.241
	Fixed rate Eurobond	Feb-31	4.5	394.356
	Fixed rate Eurobond	Oct-37	5.5	293.071
	Index linked Eurobond	Apr-39	CPI +2.490	102.546
Northumbrian Water Group Limited	Overnight borrowing	On demand	5.25	40.000
VLS	Lease	Various	5.5	16.541
	Internal borrowings			3480.132

At 31 March 2025, the appointee's non appointed business had the following loan issued to an associated company:

Company	Loan type	Maturity date	Interest rate	Balance at 31 March 2025
			%	£'m
Bakethin Holdings Limited	Variable	Jan-34	SONIA minus 39bp	2.045

Guarantees or other forms of security

There were no guarantees or other forms of security provided by the appointee to any associate during the year, other than those relating to amounts borrowed from NWF, outlined above.

Omission of right

There were no omissions by the appointee to exercise any rights which would cause the net assets to decrease.

Waivers

There were no waivers by the appointee of any consideration, remuneration or other payment owed to it by any associated company.

The information in this note has been produced to comply with the requirements of RAG 5.07 Transfer Pricing in the Water Industry and the disclosures required by paragraph 6 of Condition F of the Company's operating licence.

The Directors confirm that, to the best of their knowledge, all transactions with associated companies have been disclosed.

Dividend Disclosures

Dividends paid during the year

During the year, the following ordinary dividends were paid by NWL to NWGL, its immediate parent company:

Ordinary dividends paid:	**2024/25 £m**	**2023/24 £m**
Final dividend for the year ended 31 March 2024 (31 March 2023)	40.4	25.3
Interim dividend for the year ended 31 March 2025 (31 March 2024)	-	40.5
Appointed business	**40.4**	**65.8**
Dividend yield, as reported in table 4H	2.5%	4.1%

Dividends paid in respect of the year

The Board determines dividends for the year to which they relate, which typically comprises an interim dividend paid during the year and a final dividend paid after the year end.

In relation to 2024/25, the Board did not approve an interim dividend or a final dividend, after the balance sheet date. This equated to a nil dividend yield for dividends paid in respect of 2024/25.

Ordinary dividends paid in respect of the year:	**2024/25 £m**	**2023/24 £m**
Interim dividend for the year ended 31 March 2025 (31 March 2024)	-	40.5
Final dividend for the year ended 31 March 2025 (31 March 2024)	-	40.4
Appointed business	**-**	**80.9**
Dividend yield in respect of the year	-	5.0%

Dividend Policy

NWL considers that its dividend policy should be transparent, recognising the company's commitments to various stakeholders including customers, employees, specifically pension scheme obligations, and investors, and with due attention to maintaining appropriate levels of financial resilience within the company.

A key overarching principle behind NWL's approach to dividends is that its owners should be able to receive a competitive and fair return on their investment which reflects the underlying risk profile of the business. This ensures that there will be access to the necessary capital required to make investments for customer needs now and in the future.

NWL is seeking to maintain a progressive dividend policy that takes into account long-run financial performance and ensures that an efficient balance sheet is maintained. In line with the businesses' vision of being an industry leader, the policy seeks a competitive return consistent with a high-performing water company and to maximise returns over the long-term.

To deliver this the dividend policy will be based on four components:

- a base dividend component largely derived from the price control determination;
- a performance component linked to business performance and a fair assessment of outcomes for customers and the environment;
- a financial resilience adjustment designed to appropriately calibrate the company's overall gearing levels with the underlying risk profile of the business; and
- a smoothing adjustment to take into account smaller ad-hoc movements within any year that are expected to reverse out over the AMP.

These components are discussed in turn below.

Base dividend component

The approach to setting the base dividend is that it should broadly reflect the real cost of equity based on the capital structure as established in the latest regulatory determination, on the assumption that the regulatory cost of equity will always be set at a level that ensures the company remains financeable.

Performance component

The regulatory framework incentivises companies to meet or exceed regulatory targets and shares these gains or losses between shareholders and customers. The base dividend will be adjusted up or down to reflect business performance in 3 areas:

- totex performance: cost savings after the application of the regulatory approach to cost-sharing.
- ODI performance: net ODI rewards from improved outcomes for customers.
- financing performance: where the company is able to secure debt financing at lower rates than assumed by the latest regulatory determination.

Financial resilience adjustment

Financial resilience adjustments are designed to ensure the company maintains a prudent investment grade credit rating and an appropriate buffer to absorb relevant financial risks. To achieve this an adjustment will be made to ensure that any real terms growth in the regulatory capital value is funded from both debt and equity in line with an efficient capital structure.

Smoothing adjustment

To provide stability in dividends a further adjustment may be made to ensure that over a regulatory cycle there is a more even allocation of dividends. This is because expenditure within an AMP is not evenly spread and aligned with the phasing of the price control determination, and unexpected events (positive and negative) can impact financial performance in the short term.

In making these adjustments, the Board will aim to match dividends over a cumulative period of up to five years to the level required to deliver the policies set out under the first three components of the policy.

Application of Dividend Policy

Final dividend for the year ended 31 March 2024

The total dividend paid in respect of 2023/24 was £80.9m, comprising an interim dividend of £40.5m and a final dividend of £40.4m, paid after the balance sheet date. This represented a dividend yield of 5% when compared against actual year end regulated equity. In reaching these decisions the Board took full account of its revised dividend policy and, in the case of the final dividend, revised Licence Condition P30 and the associated guidance.

The total dividend paid in respect of 2023/24 comprised the elements of the dividend policy as set out in the table below. The 2022/23 position has been updated to reflect final reported performance and to align financing performance more closely to table 1F (inflated to outturn prices).

£m	2023/24 actual
Base return	93.6
Totex performance	(42.2)
ODI performance	10.3
Land sales	0.1
Financing performance (including inflation)	60.5
Total return including inflation	**122.3**
Less: Financing performance (including inflation)	(60.5)
Financing performance included in return	16.4
Total return including performance	**78.2**
Smoothing adjustment brought forward	56.9
Smoothing adjustment carried forward	(54.2)
Total dividend in respect of 2023/24	**80.9**

- **Base return** reflects the real cost of equity based on the capital structure as established in the Final Determination. This is the base return that NWLs shareholders receive for the c.£1.6bn of equity capital that is currently deployed in NWL and reflecting the risk of that investment.
- **Totex performance** represents the Company's share of wholesale performance, as set out in table 4C, and Retail costs compared to the Final Determination allowance. Like other appointed water companies NWL receives a cost allowance from Ofwat every five years to deliver agreed service levels to customers. Where NWL is able to outperform the cost allowances customers will gain 55% of any savings made with the business retaining 45%. Similarly, if the business overspends then 55% of any overspend is borne by the business with 45% being borne by customers. This provides incentives to reduce costs but also protection for customers and the business. The base return above needs to be adjusted for totex performance. This is an underperformance due to NWL overspending against its allowances partly due to power prices remaining high and also to increased capital investment, which is deducted from the base return.
- **ODI performance** reflects the rewards and penalties for the year reported in table 3H plus an estimate of the C-MeX and D-MeX rewards which will received for performance in 2023/24. Water companies are required to deliver stretching service levels

to customers and rewarded 'Outcome Delivery Incentives' (ODIs) if they exceed those targets or incur penalties if they fail to meet them. Incentives are set broadly based on customers' willingness to pay for improvement or avoid service deterioration. The performance in the year has generated a net reward to be added to the base return, reflecting positive performance on customer service (C-MeX and D-MeX), sewer flooding, mains repairs and reducing greenhouse gas emissions. The rewards from these are greater than the penalties in respect of drinking water quality (CRI), interruptions to supply and category 3 pollution incident.

- **Land sales** reflects the company's share of land sales as reported in table 2L (i.e. where NWL has sold land the proceeds from this are shared 50:50 with customers).
- **Financing performance** relates to the costs of financing and tax compared to allowances, as reported in table 1F. Every five years Ofwat sets a framework for ensuring that companies can recover the efficient cost of financing their investment programmes, including debt financing. Where companies can raise finance more cheaply than Ofwat assumes the company can gain rewards and customers also benefit but if financing costs are higher companies will incur penalties. The financing performance included in the return excludes benefits arising solely as a result of high inflation but includes those elements which have arisen as a result of NWL's Board decisions and actions such as the benefit gained from the Company retaining a lower proportion of index-linked debt in comparison to the rest of the industry, which has hedged costs for customers against the impact of high inflation on nominal interest costs, and the difference between the real cost of debt and the allowance in the FD due to financing decisions that have enabled NWL to raise finance at lower costs that Ofwat assumed in the FD. These financing outperformance benefits are added to the base return.
- **Smoothing adjustment** takes account of future investment needs in the final year of AMP7 which will see a significant increase in capital investment to deliver the Company's obligations and maintain the health of the asset base.

In reaching its decisions on dividends, the Board took account of performance for customers and the environment, its broader obligations and longer term financial resilience.

- **Customer and environment** – the Company has performed well overall achieving upper quartile performance for both C-MeX and D-MeX, zero category 1 or 2 pollutions, meeting all sewer flooding targets and continued strong greenhouse gas performance. The Board recognises the challenges on CRI, interruptions to supply and category 3 pollution performance and has committed action plans to improve these.
- **Obligations** – the Board has confirmed that it considers the Company is meeting its relevant obligations in its Risk and Compliance Statement on page 102. In December 2023, Ofwat confirmed that it had reached the next stage in its enforcement case into the Company's management of its sewage treatment works and wider networks and notified NWL of its provisional findings privately. NWL has responded to Ofwat's provisional findings and awaits next steps.
- **Financial resilience** – the Directors have confirmed the Company's financial resilience up to 2035 as described in the Viability Statement on page 109 which remains consistent with investment grade credit ratings. The Company has submitted its Business Plan for 2025-2030 which includes a significant increase in capital investment which is likely to require additional equity investment. The Board has committed to starting certain AMP8 enhancement investment early to reduce the delivery risk of such a large capital programme and additional equity may be required in 2024/25 to support this investment with further equity injections required in the 2025-30 period. The Board has set out its position on additional equity, in the context of the risk/return balance, in its Business Plan and the Viability Statement. We further note that the dividend paid is less than the total return and so will retain further equity capital within the business strengthening future financial resilience.

The Board is satisfied that, in the round, the dividends paid in respect of 2023/24 fairly represent the Company's overall performance for its customers and stakeholders and take full account of the dividend policy, Licence Condition P30 and the associated guidance.

Interim dividend for the year ended 31 March 2025

The Board decided not to approve any interim dividend for the year ended 31 March 2025, on the basis that the forecast application of the dividend policy did not support payment of any dividend for the year. In particular, this took account of:

- The proposed penalty of £17m, published in August 2024, in respect of Ofwat's wastewater investigation;
- Cost forecasts for 2024/25, which included increases in both operating costs and capital investment costs above previous expectations; and
- Forecast performance on ODIs, including the end of AMP penalty for per capita consumption.

In addition, the Board took account of the PR24 Draft Determination which it did not believe supported the investment of additional equity identified in the Business Plan.

Final dividend for the year ended 31 March 2025

The final results for 2024/25 confirmed that the application of the dividend policy did not support payment of any dividend for the year, therefore the Board decided not to approve a final dividend for the year ended 31 March 2025. In particular, this took account of:

- The undertakings provided in respect of Ofwat's wastewater investigation;
- Totex costs in excess of FD allowances for 2024/25, as reported in table 4C; and
- Actual ODI performance, as reported in section 3, including end of AMP penalties in respect of per capita consumption and delivery of the smart metering programme.

In addition, the Board took account of the PR24 Final Determination and the uncertainty over the ongoing CMA redetermination process, as a result of which new equity capital is not expected to be provided until after the CMA's final decision.

INDEPENDENT AUDITOR'S REPORT TO THE WATER SERVICES REGULATION AUTHORITY (THE WSRA) AND THE DIRECTORS OF NORTHUMBRIAN WATER LIMITED

Opinion

We have audited the sections of Northumbrian Water Limited's Annual Performance Report for the year ended 31 March 2025 ("the Regulatory Accounting Statements") which comprise:

- the regulatory financial reporting tables comprising the income statement (table 1A), the statement of comprehensive income (table 1B), the statement of financial position (table 1C), the statement of cash flows (table 1D), the net debt analysis (table 1E), lines 1F.1 to 1F.3, 1F.5 to 1F.8, 1F.12 to 1F.14, 1F.21 to 1F.22 and 1F.24 to 1F.26 of the statement of financial flows (table 1F) and the related notes; and
- the regulatory price review and other segmental reporting tables comprising the segmental income statement (table 2A), the totex analysis for wholesale water and wastewater (table 2B), the operating cost analysis for retail (table 2C), the historical cost analysis of fixed assets for wholesale and retail (table 2D), the analysis of grants and contributions and land sales for wholesale (table 2E), the household water revenues by customer type (table 2F), the non-household water revenues by customer type (table 2G), the non-household wastewater revenues by customer type (table 2H), the revenue analysis & wholesale control reconciliation (table 2I), the infrastructure network reinforcement costs (table 2J), the infrastructure charges reconciliation (table 2K), the analysis of land sales (table 2L), the revenue reconciliation for wholesale (table 2M), residential retail social tariffs (table 2N) and historical cost analysis of intangible assets (table 2O) and the related notes.

We have not audited lines 1F.4, 1F.9 to 1F.11, 1F.15 to 1F.20 and 1F.23 of the statement of financial flows (table 1F), the Outcome performance table (tables 3A to 3I) or the additional regulatory information in tables 4A to 4W, 5A to 5B, 6A to 6F, 7A to 7F, 8A to 8D, 9A, 10A to 10E and 11A.

In our opinion, Northumbrian Water Limited's Regulatory Accounting Statements have been prepared, in all material aspects, in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA (RAG 1.09, RAG 2.09, RAG 3.15, RAG 4.13 and RAG 5.07) and the accounting policies (including the Company's published accounting methodology statement(s), as defined in RAG 3.15, appendix 2).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and applicable law, except as stated in the section on Auditors' responsibilities for the audit of the Regulatory Accounting Statements below, and having regard to the guidance contained in ICAEW Technical Release Tech 02/16 AAF 'Reporting to Regulators on Regulatory Accounts' issued by the Institute of Chartered Accountants in England & Wales.

Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the Regulatory Accounting Statements within the Annual Performance Report section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit, including the Financial Reporting Council's (FRC's) Ethical Standard as applied to public interest entities, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – special purpose basis of preparation

We draw attention to the fact that the Regulatory Accounting Statements have been prepared in accordance with a special purpose framework, Condition F, the Regulatory Accounting Guidelines, the accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.15, appendix 2) set out in the statement of accounting policies and under the historical cost convention. The nature, form and content of the Regulatory Accounting Statements are determined by the WSRA. As a result, the Regulatory Accounting Statements may not be suitable for another purpose. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the WSRA's purposes. Accordingly we make no such assessment. In addition, we are not required to assess whether the methods of cost allocation set out in the accounting methodology statement are appropriate to the circumstances of the Company or whether they meet the requirements of the WSRA.

The Regulatory Accounting Statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of international accounting standards in conformity with the requirements of the Companies Act 2006 ("UK IASs"). Financial information other than that prepared on the basis of UK IASs does not necessarily represent a true and fair view of the financial performance or financial position of a Company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

The Regulatory Accounting Statements in section 4 have been drawn up in accordance with Regulatory Accounting Guidelines with a number of departures from IASs. A summary of the effect of these departures in the Company's statutory financial statements is included in the tables within section 1.

Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

In auditing the Regulatory Accounting Statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounting Statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- [Assessing financial facilities including availability and access at the balance sheet date, the nature of the facilities, repayment and expiration terms and associated covenants;
- Evaluating management's going concern assessment and the linkage to the business model and medium-term risks including effects of changes in water availability and usage and potential regulation;
- challenging assumptions used in the forecasts, including the effects of AMP7 from the Ofwat final determination and the subsequent CMA final decision;
- evaluating the amount of headroom in the forecasts focusing on cash and covenants associated with financing activities;
- performing sensitivity analysis to assess how the headroom within the forecasts is affected by variations within the assumptions; and
- assessing the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and assessing historical accuracy of forecasts prepared by management.]

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises all of the information in the Annual Performance Report other than the Regulatory Accounting Statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounting Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Regulatory Accounting Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Regulatory Accounting Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Regulatory Accounting Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

Responsibilities of the Directors for the Annual Performance Report

As explained more fully in the Statement of Directors' Responsibilities set out in section 4, the directors are responsible for the preparation of the Annual Performance Report in accordance with Condition F, the Regulatory Accounting Guidelines issued by the WSRA and the Company's accounting policies (including the Company's published accounting methodology statement, as defined in RAG 3.15, appendix 2).

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of the Annual Performance Report that is free from material misstatement, whether due to fraud or error.

In preparing the Annual Performance Report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the Audit of the Regulatory Accounting Statements within the Annual Performance Report

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounting Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Regulatory Accounting Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework[s] that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the Regulatory Accounting Statements. These included Regulatory Accounting Guidelines as issued by the WRSA, UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the Regulatory Accounting Statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's operating licence, regulatory solvency requirements and environmental regulations.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports, and reviewing correspondence with HMRC and WSRA.

A further description of our responsibilities for the audit of the Regulatory Accounting Statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made, on terms that have been agreed, solely to the Company and the WSRA in order to meet the requirements of Condition F of the Instrument of Appointment granted by the Secretary of State for the Environment to the Company as a water and sewage undertaker under the Water Industry Act 1991 ("Condition F"). Our audit work has been undertaken so that we might state to the Company and the WSRA those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under Condition F to procure such a report and (b) to facilitate the carrying out by the WSRA of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the WSRA, for our audit work, for this report or for the opinions we have formed.

Our opinion on the Regulatory Accounting Statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2025 on which we reported on 14 July 2025, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Deloitte LLP

Deloitte LLP

Newcastle, United Kingdom

14 July 2025

3A Outcome performance - Water performance commitments (financial)

Line description	Unit	Performance level - actual	PC met?	Reward/ Penalty	Total 2020-25 Reward/ Penalty
				£m	£m
Common PCs - Water (Financial)					
Water quality compliance (CRI)	number	10.94	No	(11.152)	(35.435)
Water supply interruptions	hh:mm:ss	00:04:40	Yes	0.347	(2.106)
Leakage NW region	%	12.0	Yes	0.000	(1.768)
Leakage ESW region	%	17.6	Yes	0.354	0.703
Per capita consumption	%	(1.4)	No	(1.129)	(3.564)
Mains repairs	number	122.6	Yes	0.078	2.410
Unplanned outage	%	1.95	Yes	0.000	0.000
Bespoke PCs - Water and Retail (Financial)					
Visible leak repair time	nr	5.8	No	(0.770)	(1.037)
Voids	%	3.42	Yes	1.333	6.664
Interruptions to supply greater than 12 hours	nr	223	Yes	0.586	(8.719)
Discoloured water contacts	nr	7.18	Yes	0.228	5.567
Taste and smell contacts	nr	1.73	Yes	0.255	1.265
Event Risk Index	nr	323.100	No	(0.278)	(0.490)
Interruptions to supply between one and three hours	%	105.1	No	(1.399)	(3.871)
Abstraction incentive mechanism (AIM)	nr	0	Yes	0.000	0.000
Water environment improvements	nr	118.3	Yes	0.832	1.521
Greenhouse Gas Emissions	tCO2e	52,374	Yes	8.090	32.674
Delivery of water resilience enhanced programme	%	64.8	No	0.000	0.000
Delivery of lead enhancement programme	%	100	Yes	0.000	0.000
Delivery of smart water metering enhancement programme	%	53.6	No	(9.002)	(9.002)
Delivery of cyber resilience enhancement programme	%	100	Yes	0.000	0.000

3B Outcome performance - Wastewater performance commitments (financial)

Line description	Unit	Performance level - actual	PC met?	Reward/ Penalty	Total 2020-25 Reward/ Penalty
				£m	£m
Common PCs - Wastewater (Financial)					
Internal sewer flooding	No. of internal incidents per 10,000 sewer connections	1.03	Yes	0.479	0.933
Pollution incidents	Pollution incidents per 10,000 km of sewer length	38.97	No	(7.107)	(6.875)
Sewer collapses	No. of sewer collapses per 1,000 km of all sewers	7.33	Yes	0.000	0.000
Treatment works compliance	%	97.21	No	(1.069)	(2.210)
Bespoke PCs - Wastewater (Financial)					
Sewer blockages	nr	9,020	Yes	1.232	0.847
External sewer flooding	nr	2,431	Yes	0.931	(3.571)
Repeat sewer flooding	nr	20	Yes	0.937	5.290
Bathing water compliance	%	94.29	No	(0.690)	(1.422)
Delivery wastewater resilience enhancement programme	nr	141	Yes	0.000	0.000
Water Industry National Environment Programme	nr	681	Yes	0.000	0.000
Delivery of Howdon STW enhancement	months	48	No	0.000	0.000

3C Customer measure of experience (C-MeX) table

Item	Unit	Value
Annual customer satisfaction score for the customer service survey	Number	82.21
Annual customer satisfaction score for the customer experience survey	Number	78.52
Annual C-MeX score	Number	80.37
Annual net promoter score	Number	26.00
Total household complaints	Number	7,995
Total connected household properties	Number	2,072,874
Total household complaints per 10,000 connections	Number	38.570
Confirmation of communication channels offered	TRUE or FALSE	TRUE

3D Developer services measure of experience (D-MeX) table

Item	Unit	Value
Qualitative component annual results	Number	84.04
Quantitative component annual results	Number	99.78
D-MeX score	Number	91.91
Developer services revenue (water)	£m	15.800
Developer services revenue (wastewater)	£m	2.360

3E Outcome performance - Non financial performance commitments

Line description	Unit	Performance level - actual	PCL met?
Common			
Risk of severe restrictions in a drought	%	0.0	Yes
Priority services for customers in vulnerable circumstances - PSR reach	%	13.2	Yes
Priority services for customers in vulnerable circumstances - Attempted contacts	%	94.2	Yes
Priority services for customers in vulnerable circumstances - Actual contacts	%	40.6	Yes
Risk of sewer flooding in a storm	%	16.11	Yes
Bespoke PCs			
Satisfaction of Customers who receive additional non-financial support	nr	8.6	No
Awareness of additional non-financial support	%	49%	No
Response time to written complaints	nr	8.36	No
Customers' perception of trust	nr	8.0	No
Percentage of households in water poverty	%	12.95	No
Gap sites	%	66.7	No
Bioresources	%	100	Yes
Satisfaction of Customers who receive additional financial support	nr	8.9	Yes
Awareness of additional financial support	%	44.0	No
British Standards Institution Award for Inclusive Services	text	Maintained	Yes
NWL Independent value for money survey	nr	7.6	No
WINEP Delivery	text	Met	Yes
Delivery of DWMPs	%	100	Yes

3H Summary information on outcome delivery incentive payments

Line description	Initial calculation of performance payments (excluding CMEX and DMEX)
	£m (2017-18 prices)
Initial calculation of in period revenue adjustment by price control	
Water resources	0.99
Water network plus	(7.87)
Wastewater network plus	(2.07)
Bioresources (sludge)	0.23
Residential retail	1.93
Business retail	0.00
Dummy control	0.00
Initial calculation of end of period revenue adjustment by price control	
Water resources	0.00
Water network plus	(10.13)
Wastewater network plus	0.00
Bioresources (sludge)	0.00
Residential retail	0.00
Business retail	0.00
Dummy control	0.00
Initial calculation of end of period RCV adjustment by price control	
Water resources	0.00
Water network plus	0.00
Wastewater network plus	0.00
Bioresources (sludge)	0.00
Residential retail	0.00
Business retail	0.00
Dummy control	0.00

Additional Regulatory Information

This section contains additional regulatory information required by RAG 3.14.

However, some tables have not been included from this report either because their size or because of the technical nature of their content. These tables, which are listed below, can be found on our website, alongside this report.

4B	Analysis of debt
4L-M	Enhancement expenditure
4Q	Developer services – Non-financial information
4R	Properties, customers and population – non-financial information
4S-U	Green Recovery tables – not applicable to NWL
4X-Y	Accelerated infrastructure delivery project expenditure
4Z	Household bill reduction schemes
5A	Water resources – asset and volumes data
5B	Water resources - operating cost analysis
6A	Raw water transport, raw water storage, and water treatment data
6B	Treated water distribution – assets and operations
6C	Water network+ – mains, communication pipes and other data
6D	Demand management – metering and leakage activities
6E	Leakage activity detailed analysis
6F	WRMP annual reporting on delivery - non-leakage activities
7A	Wastewater network+ – functional expenditure
7B	Wastewater network+ – large sewage treatment works
7C	Wastewater network+ – sewer and volume data
7D	Wastewater network+ – sewage treatment works data
7E	Wastewater network+ – energy consumption and other data
7F	Wastewater network+ - WINEP phosphorus removal scheme costs and cost drivers
8A	Bioresources – sludge data
8B	Bioresources – operating expenditure analysis
8C	Bioresources – energy and liquors analysis
8D	Bioresources – sludge treatment and disposal data
10A-E	Green Recovery tables – not applicable to NWL
11A	Operational greenhouse gas emissions reporting

4A WATER BULK SUPPLY INFORMATION for the 12 months ended 31 March 2025

	Volume	Operating costs	Revenue
	Ml	£m	£m
Bulk supply exports			
(NESBWE14) Thames Water	-	-	1.9
(NESBWE11) Anglian Water (Stour - Tiptree)	951.8	0.8	1.4
(NESBWE12) Leep Utilities - Barking	425.4	0.3	0.4
(NESBWE9) United Utilities Water	260.0	0.2	0.3
(NESBWE17) Anglian Water (2 Sisters Buxted Chickens)	95.5	0.1	0.2
(NESBWE20) IWNL (Limebrook Way)	83.5	0.1	0.2
(NESBWE6) Anglian Water (Maldon)	63.3	-	0.1
(NESBWE19) IWNL (Malyon's Lane)	62.8	0.1	0.1
(NESBEW30) IWNL (Cell A)	58.9	0.1	0.1
(NESBWE13) Anglian Water (Woods Meadow Oulton)	64.0	0.1	0.1
(NESBWE5) Anglian Water (Layer)	34.9	-	0.1
(NESBEW27) IWNL(Howdon Green)	42.3	-	0.1
(NESBEW28) IWNL (West Benton)	42.3	-	0.1
(NESBWE18) IWNL - Throckley	34.8	-	-
(NESBWE2) Anglian Water (Fairstead)	26.0	-	-
(NESBWE26) IWNL (Seaton Vale)	35.1	-	-
IWNL - Low Grange Farm, Middlesbrough	26.4	-	-
INWL (Percy Drive, Amble)	22.7	-	-
(NESBEW29) IWNL (Edderacres)	21.3	-	-
IWNL - Gascoigne West Phase 2	30.7	-	-
IWNL - High Road, Fobbing	12.3	-	-
ESP WATER (Burdon Lane, Sunderland)	14.5	-	-
IWNL (The Manorway)	12.0	-	-
ICOSA (Longshore Village South Newsham Blyth)	14.6	-	-
ICOSA - Darlington Road, Barnard Castle	15.0	-	-
(NESBWE3) Anglian Water (Fuller Street)	6.9	-	-
(NESBWE22) IWNL (Lambton Park)	11.1	-	-
(NESBWE21) Marsh Road, Burnham	9.7	-	-
(NESBWE1) Affinity Water (Three Valleys)	6.1	-	-
(NESBWE15) Albion Water (Five Oaks)	30.4	-	-
(NESBWE23) IWNL - Chester Road, Pennywell	9.3	-	-
(NESBWE25) IWNL - River View - Maldon Road	7.7	-	-
(NESBWE4) Anglian Water (Hogwells)	4.7	-	-
IWNL (Langley Park)	6.7	-	-
IWNL - Marton Avenue, Middlesbrough	6.6	-	-
(NESBWE24) LEEP - Conrad Road Witham	7.4	-	-
IWNL - Rake House Farm, Murton	4.4	-	-
IWNL - Walkergate Hospital, Benfield Road, Newcastle	4.2	-	-
IWNL - Windy Edge Ph2, Alnwick	4.0	-	-
IWNL - Blakeston Lane, Stockton-On-Tees	4.7	-	-
IWNL - Holborn Development (Phase 2 & 3), Tyne & Wear	2.6	-	-
IWNL - Four Lane Ends, Bishop Auckland	3.2	-	-

4A WATER BULK SUPPLY INFORMATION for the 12 months ended 31 March 2025 (continued)

	Volume	Operating costs	Revenue
	Ml	£m	£m
Bulk supply exports			
ESP WATER - Bracks Farm, Bishop Auckland ESPW033639	3.0	-	-
ICOSA - Herrington View, Penshaw	2.6	-	-
IWNL (Hesleden Road)	2.1	-	-
IWNL - Delves Lane, Consett	1.0	-	-
IWNL - Bent House Lane, Durham	0.9	-	-
IWNL - Burgham Park, Felton	0.9	-	-
IWNL - The Street, Latchingdon	0.6	-	-
IWNL (Church Road, Stowmarket)	1.1	-	-
ICOSA - Syke Road, Burnopfield	0.8	-	-
IWNL - Togston Road, Broomhill	0.4	-	-
ICOSA - Site B, North Shore Road, Stockton	0.2	-	-
IWNL - Roman Way, Halesworth	0.2	-	-
ICOSA - Site C, North Shore Road, Stockton	0.1	-	-
ICOSA - Gascoigne East (Phase 3), Barking	0.1	-	-
IWNL - Chapelgarth, Sunderland	0.1	-	-
IWNL - Bishops Park, Bishop Auckland	-	-	-
IWNL (Fossetts Way)	-	-	-
IWNL (Blackfell Way, Birtley)	0.1	-	-
ICOSA - Homebase Site, High Road, Ilford	-	-	-
IWNL (Castleton Way, Eye)	-	-	-
ICOSA - Site A, North Shore Road, Stockton	0.1	-	-
INWL (Beacon Lane, Cramlington)	-	-	-
Total bulk supply exports	2,594.1	1.8	5.1
Bulk supply imports			
(NESBWI2) Anglian Water (Cressing)	361.9	0.5	
(NESBWE14) Thames Water	32,720.0	2.3	
(NESVW13) - UUW	1.3	-	
(NESBWI3) Anglian Water (Hartismere)	-	-	
(NESBWI4) Anglian Water (Wynyard)	23.1	-	
Anglian Water (Wynyard)	28.5	-	
Anglian Water - Rising Way, Martham	3.4	-	
	33,138.2	2.8	

4C IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV for the 12 months ended 31 March 2025

	12 months ended 31 March 2025				Price control period to date			
	Water resources	Water network+	Wastewater network+	Bioresources	Water resources	Water network+	Wastewater network+	Bioresources
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Totex (net of business rates, abstraction licence fees, grants and contributions)								
Final determination allowed totex (net of business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	25.0	268.8	250.4	19.4	120.9	1,311.0	1,064.7	86.7
Actual totex (excluding business rates, abstraction licence fees, grants and contributions and other items not subject to cost sharing)	62.3	429.3	313.4	22.0	259.8	1,603.2	1,128.6	39.4
Transition expenditure	-	-	-	-	-	-	-	-
Disallowable costs	0.2	0.7	5.1	0.2	0.3	5.9	7.8	0.4
Total actual totex (net of business rates, abstraction licence fees and grants and contributions)	62.1	428.6	308.3	21.8	259.5	1,597.3	1,120.8	39.0
Variance	37.1	159.8	57.9	2.4	138.6	286.3	56.1	(47.7)
Variance due to timing of expenditure	-	-	-	-	-	-	-	-
Variance due to efficiency	37.1	159.8	57.9	2.4	138.6	286.3	56.1	(47.7)
Customer cost sharing rate - outperformance	55.00%	55.00%	55.00%	0.00%	55.00%	55.00%	55.00%	0.00%
Customer cost sharing rate - underperformance	45.00%	45.00%	45.00%	0.00%	45.00%	45.00%	45.00%	0.00%
Customer share of totex overspend	16.7	71.9	26.1	-	62.4	128.8	25.2	-
Customer share of totex underspend	-	-	-	-	-	-	-	-
Company share of totex overspend	20.4	87.9	31.8	2.4	76.2	157.5	30.9	-
Company share of totex underspend	-	-	-	-	-	-	-	(47.7)
Totex - business rates and abstraction licence fees								
Final determination allowed totex - business rates and abstraction licence fees	55.9	32.7	8.5	1.7	246.5	144.0	37.6	7.7
Actual totex - business rates and abstraction licence fees	59.2	20.8	8.7	1.8	241.6	121.5	37.5	7.8
Variance - business rates and abstraction licence fees	3.3	(11.9)	0.2	0.1	(4.9)	(22.5)	(0.1)	0.1
Customer cost sharing rate - business rates	78.89%	90.15%	90.00%	90.00%	86.86%	90.30%	90.00%	90.00%
Customer cost sharing rate - abstraction licence fees	82.67%	75.00%	75.00%	75.00%	82.67%	75.00%	75.00%	75.00%
Customer share of totex over/underspend - business rates and abstraction licence fees	2.6	(10.7)	0.2	0.1	(4.3)	(20.3)	(0.1)	0.1
Company share of totex over/underspend - business rates and abstraction licence fees	0.7	(1.2)	-	-	(0.6)	(2.2)	-	-

4C IMPACT OF PRICE CONTROL PERFORMANCE TO DATE ON RCV for the 12 months ended 31 March 2025 (continued)

	12 months ended 31 March 2025				Price control period to date			
	Water resources	Water network+	Wastewater network+	Bioresources	Water resources	Water network+	Wastewater network+	Bioresources
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Totex not subject to cost sharing								
Final determination allowed totex - not subject to cost sharing	6.2	4.1	-	-	27.7	19.7	0.7	-
Actual totex - not subject to cost sharing	9.0	10.9	3.1	-	38.0	52.4	9.8	-
Variance - 100% company allocation	2.8	6.8	3.1	-	10.3	32.7	9.1	-
Total customer share of totex over/under spend	19.3	61.2	26.3	0.1	58.1	108.5	25.2	0.1
RCV								
Total customer share of totex over/under spend	19.3	61.2	26.3	0.1	-	-	-	-
PAYG rate	93.29%	57.76%	28.82%	40.57%	90.89%	55.40%	39.57%	40.79%
RCV element of cumulative totex over/underspend	1.3	25.8	18.7	0.1	-	-	-	-
Adjustment for ODI outperformance payment or underperformance payment					-	-	-	-
Green recovery					-	-	-	
RCV determined at FD at 31 March					349.5	2,522.9	2,751.1	181.5
Projected 'shadow' RCV					349.5	2,522.9	2,751.1	181.5

WHOLESALE TOTEX COMPARISON TO FD ALLOWANCE

Totex (net of business rates, abstraction licence fees and grants and contributions)

Actual totex in 2024/25 across all price controls was £257m higher than the FD allowance, after excluding disallowed costs. This is mainly due to the profile of capital enhancement expenditure which was £152m higher than FD this year. The cumulative position for the full price control period is a total overspend of £433m.

Operating costs for the five years to date have been higher than FD on all price controls except Bioresources. This has been primarily due to the significant increase in power prices from 2021. Chemical prices have also been notably higher.

Water Resources and Water Network+ spend was £197m higher than allowance in the year, due mainly to the profile of capex. The cumulative spend was £425m higher than FD allowance, due to increased operating costs (mainly power and chemicals costs) and capital maintenance investment for asset health.

Wastewater network+ and bioresources expenditure was £60m higher than allowance in the year, and £8m higher than allowance over the price control. This comprised £56m over FD on wastewater network+ and £48m lower than allowance on bioresources.

Totex - business rates and abstraction licence fees

Actual totex in 2024/25 was £8.3m lower than the FD allowance. This primarily relates to cumulo rates costs.

The original Ofwat determination set consistent cost sharing rates for abstraction and rates variances. However, our CMA redetermination amended the sharing rates for different elements of these costs. In order for the sharing rate calculation to work correctly, a hybrid sharing rate has been used and reported in the row for 'Customer cost sharing rate – business rates' in line with Ofwat guidance. The individual rates are shown below

	12 months ended 31 March 2025				Price control period to date			
	Water resources	Water network plus	Wastewater network plus	Bio-resources	Water resources	Water network plus	Wastewater network plus	Bio-resources
Customer cost sharing rate - abstraction	82.67%	75.00%	75.00%	75.00%	82.67%	75.00%	75.00%	75.00%
Customer cost sharing rate - business rates	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%	90.00%
Customer cost sharing rate - weighted ave	78.89%	90.15%	90.00%	90.00%	86.86%	90.30%	90.00%	90.00%

RCV

Actual RCV at 31 March 2025, as published by Ofwat, was £5,805m.

This incorporates the RCV midnight adjustments, reflecting reconciliation adjustments for PR19 performance. As a result, there is no shadow RCV calculated in table 4C for 2024/25.

Disallowable costs

Costs classified as disallowable are:

- Wastewater undertakings (see below);
- Section 74 fines and fixed penalty notices;
- compensation claims; and
- CMA costs.

Wastewater undertakings

In addition, costs incurred to date related to the wastewater undertakings provided to Ofwat (see page 84) have been disallowed to ensure they are funded by Northumbrian Water shareholders and will not be paid for by customers' bills. These cost comprise:

- £2m provision for additional community investment to improve the natural environment through NWL's Branch out Fund; and
- £2.6m investment to date on the early installation of flow monitors.

Recharges in respect of 'principal use' of assets

These relate to assets which are shared across more than one business unit, which mainly relate to IT systems and office buildings. The capital is allocated to Water Network+ as the 'principal user' and an appropriate proportion recharged to the other business units, including retail. The values are reported on table 2A.

4D TOTEX ANALYSIS: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2025

		Network+				
	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure						
Base operating expenditure	83.9	6.1	2.8	79.8	116.4	289.0
Enhancement operating expenditure	2.0	-	-	0.7	0.9	3.6
Developer services operating expenditure	-	-	-	0.3	0.3	0.6
Total operating expenditure excluding third party services	85.9	6.1	2.8	80.8	117.6	293.2
Third party services	9.0	1.6	0.1	0.8	1.7	13.2
Total operating expenditure	94.9	7.7	2.9	81.6	119.3	306.4
Grants and contributions - operating expenditure	-	-	-	-	-	-
Capital expenditure						
Base capital expenditure	31.4	0.1	-	44.3	108.8	184.6
Enhancement capital expenditure	5.4	10.6	-	16.0	70.4	102.4
Developer services capital expenditure	-	-	-	-	22.9	22.9
Total gross capital expenditure (excluding third party)	36.8	10.7	-	60.3	202.1	309.9
Third party services	-	0.3	-	0.6	-	0.9
Total gross capital expenditure	36.8	11.0	-	60.9	202.1	310.8
Grants and contributions - capital expenditure	-	-	-	(1.3)	(14.9)	(16.2)
Net totex	131.7	18.7	2.9	141.2	306.5	601.0
Cash expenditure						
Pension deficit recovery payments	0.1	-	-	1.0	2.3	3.4
Other cash items	-	-	-	-	-	-
Totex including cash items	131.8	18.7	2.9	142.2	308.8	604.4

4D TOTEX ANALYSIS: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2025 (continued)

		Network+				
	Water resources	Raw water transport	Raw water storage	Water treatment	Treated water distribution	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Atypical expenditure						
Pension atypical credit	(0.2)	-	-	(1.3)	(3.2)	(4.7)
CMA redetermination process	0.2	-	0.1	0.2	0.2	0.7
Total atypical expenditure	-	-	0.1	(1.1)	(3.0)	(4.0)

4E TOTEX ANALYSIS: WASTEWATER NETWORK+ AND BIORESOURCES for the 12 months ended 31 March 2025

	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure									
Base operating expenditure	18.9	24.0	12.9	71.1	7.4	6.8	(3.6)	1.6	139.1
Enhancement operating expenditure	0.1	0.1	-	3.4	-	-	-	-	3.6
Developer services operating expenditure	0.5	0.1	-	-	-	-	-	-	0.6
Total operating expenditure excluding third party services	19.5	24.2	12.9	74.5	7.4	6.8	(3.6)	1.6	143.3
Third party services	-	-	-	-	-	-	-	-	-
Total operating expenditure	19.5	24.2	12.9	74.5	7.4	6.8	(3.6)	1.6	143.3
Grants and contributions - operating expenditure	-	-	-	-	-	-	-	-	-
Capital expenditure									
Base capital expenditure	15.0	24.8	13.3	39.5	-	1.5	16.8	-	110.9
Enhancement capital expenditure	8.1	13.4	7.2	102.1	-	-	0.7	-	131.5
Developer services capital expenditure	0.7	1.1	0.6	-	-	-	-	-	2.4
Total gross capital expenditure (excluding third party)	23.8	39.3	21.1	141.6	-	1.5	17.5	-	244.8
Third party services	-	-	-	-	-	-	-	-	-
Total gross capital expenditure	23.8	39.3	21.1	141.6	-	1.5	17.5	-	244.8
Grants and contributions - capital expenditure	(0.9)	(1.4)	(0.8)	-	-	-	-	-	(3.1)
Net totex	42.4	62.1	33.2	216.1	7.4	8.3	13.9	1.6	385.0
Cash expenditure									
Pension deficit recovery payments	0.7	0.1	-	0.9	-	-	0.1	-	1.8
Other cash items	-	-	-	-	-	-	-	-	-
Totex including cash items	43.1	62.2	33.2	217.0	7.4	8.3	14.0	1.6	386.8

4E TOTEX ANALYSIS: WASTEWATER NETWORK+ AND BIORESOURCES for the 12 months ended 31 March 2025 (continued)

	Network+ Sewage collection			Network+ Sewage treatment		Bioresources			
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Imported sludge liquor treatment	Sludge transport	Sludge treatment	Sludge disposal	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Atypical expenditure									
Pension atypical credit	(1.0)	-	-	(1.3)	-	-	(0.2)	-	(2.5)
CMA redetermination process	0.2	0.2	-	0.1	-	0.2	-	-	0.7
Wastewater investigation provision	2.0	-	-	-	-	-	-	-	2.0
Total atypical expenditure	1.2	0.2	-	(1.2)	-	0.2	(0.2)	-	0.2

4F & 4G MAJOR PROJECT EXPENDITURE FOR WHOLESALE WATER AND WASTEWATER

NWL does not have any Major Projects as defined by RAG 4.12.

4H FINANCIAL METRICS for the 12 months ended 31 March 2025

	Units	Current year	AMP to date
Financial indicators			
Net debt	£m	4,203.4	
Regulatory equity	£m	1,601.6	
Regulatory gearing	%	72.4%	
Post tax return on regulatory equity	%	5.8%	
RORE (return on regulatory equity)	%	-2.6%	3.8%
Dividend yield	%	2.5%	
Retail profit margin - Household	%	-0.2%	
Retail profit margin - Non household	%	0.0%	
Credit rating - Fitch	Text	BBB+ (Negative)	
Credit rating - Moody's	Text	Baa1 (Negative)	
Credit rating - Standard and Poor's	Text	n/a	
Return on RCV	%	4.8%	
Dividend cover	dec	1.4	
Funds from operations (FFO)	£m	279.1	
Interest cover (cash)	dec	3.0	
Adjusted interest cover (cash)	dec	1.0	
FFO/Net debt	dec	0.1	
Effective tax rate	%	2.3%	
RCF	£m	238.7	
RCF/Net debt	dec	0.1	
Borrowings			
Proportion of borrowings which are fixed rate	%	59.8%	
Proportion of borrowings which are floating rate	%	9.9%	
Proportion of borrowings which are index linked	%	30.3%	
Proportion of borrowings due within 1 year or less	%	8.8%	
Proportion of borrowings due in more than 1 year but no more than 2 years	%	7.7%	
Proportion of borrowings due in more than 2 years but but no more than 5 years	%	12.2%	
Proportion of borrowings due in more than 5 years but no more than 20 years	%	61.9%	
Proportion of borrowings due in more than 20 years	%	9.4%	

An explanation of RORE performance compared to the allowance in the FD is provided in the commentary to table 1F.

4I FINANCIAL DERIVATIVES for the 12 months ended 31 March 2025

	Nominal value by maturity (net) at 31 March				Total value at 31 March		Total accretion at 31 March	Interest rate (weighted average for 12 months to 31 March 2024)	
	0 to 1 years	1 to 2 years	2 to 5 years	Over 5 years	Nominal value (net)	Mark to Market		Payable	Receivable
	£'m	£'m	£'m	£m	£'m	£'m	£'m	%	%
Interest rate swap (sterling)									
Floating to fixed rate	150.0	-	-	-	150.0	2.8	-	2.36%	4.88%
Floating from fixed rate	-	-	-	-	-	-	-	0.00%	0.00%
Floating to index linked	-	-	-	-	-	-	-	0.00%	0.00%
Floating from index linked	-	-	-	-	-	-	-	0.00%	0.00%
Fixed to index-linked	150.0	-	100.0	-	250.0	0.4	(122.2)	2.52%	2.17%
Fixed from index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Index-linked to index-linked	-	-	-	-	-	-	-	0.00%	0.00%
Total	300.0	-	100.0	-	400.0	3.2	(122.2)		
Forward currency contracts									
Forward currency contracts USD	2.1	-	-	-	2.1	(0.1)	-		
Total	2.1	-	-	-	2.1	(0.1)	-		
Other financial derivatives	-	-	-	-	-	-	-		
Total financial derivatives	302.1	-	100.0	-	402.1	3.1	(122.2)		

For the floating to fixed rate swaps, the interest rate receivable has been calculated using the forward SONIA curve as the applicable market rates on the last day of 2024/25 for the discounted maturity cash flows of the derivative(s).

For the fixed to index-linked swaps, the interest rate payable has been calculated using a reference RPI of 3.2%, being the published RPI for March 2025. Both swaps reported in this line are set at RPI minus the margin as a fixed percentage on the swaps.

For the mark-to-market valuations, liability (out of the money) positions are reported as positive values and asset (in the money) positions are reported as negative values, in accordance with RAG4.12. The total balance, £119.1m liability, is consistent with the Financial instruments balances in table 1C Statement of Financial Position.

4J BASE EXPENDITURE ANALYSIS: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2025

		Water network+				
	Water resources	Raw water distribution	Raw water storage	Water treatment	Treated water distribution	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure						
Power	17.1	3.0	-	6.5	26.9	53.5
Income treated as negative expenditure	-	-	-	-	-	-
Bulk supply	1.4	-	-	-	-	1.4
Renewals expensed in year (infrastructure)	-	-	-	-	0.5	0.5
Renewals expensed in year (non-infrastructure)	0.2	-	-	1.2	4.6	6.0
Other operating expenditure	6.0	0.6	2.8	68.6	69.0	147.0
Local authority and Cumulo rates	3.2	2.5	-	3.0	14.9	23.6
Service Charges						
Canal & River Trust abstraction charges/ discharge consents	0.5	-	-	-	-	0.5
Environment Agency / NRW abstraction charges/ discharge consents	55.5	-	-	0.5	-	56.0
Other abstraction charges/ discharge consents	-	-	-	-	-	-
Other operating expenditure						
Costs associated with Traffic Management Act	-	-	-	-	0.4	0.4
Costs associated with lane rental schemes	-	-	-	-	-	-
Statutory water softening	-	-	-	-	-	-
Total base operating expenditure	83.9	6.1	2.8	79.8	116.3	288.9
Capital expenditure						
Maintaining the long term capability of the assets - infra	5.8	-	-	-	74.2	80.0
Maintaining the long term capability of the assets - non-infra	25.6	0.1	-	44.3	34.6	104.6
Total base capital expenditure	31.4	0.1	-	44.3	108.8	184.6
Traffic Management Act						
Projects incurring costs associated with Traffic Management Act (nr)	-	-	-	-	7,249.0	7,249.0

4K BASE EXPENDITURE ANALYSIS: WASTEWATER NETWORK+ AND BIORESOURCES for the 12 months ended 31 March 2025

	Wastewater network+					Bioresources			
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Sludge Transport	Sludge Treatment	Sludge Disposal	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Operating expenditure									
Power	3.6	6.6	3.6	20.2	5.4	1.3	(0.1)	0.1	40.7
Income treated as negative expenditure	-	-	-	-	-	-	(17.3)	-	(17.3)
Bulk discharge	-	-	-	-	-	-	-	-	-
Renewals expensed in year (infrastructure)	-	0.1	-	-	-	-	-	-	0.1
Renewals expensed in year (non-infrastructure)	0.3	0.5	0.3	1.2	-	0.1	0.3	-	2.7
Other operating expenditure	11.3	16.7	9.0	37.3	2.0	5.4	11.7	1.5	94.9
Local authority and Cumulo rates	-	0.1	-	8.7	-	-	1.8	-	10.6
Service Charges									
Canal & River Trust discharge consents	-	-	-	-	-	-	-	-	-
Environment Agency / NRW discharge consents	3.5	-	-	3.7	-	-	-	-	7.2
Other discharge charges / permits	-	-	-	-	-	-	-	-	-
Other expenditure									
Costs associated with Traffic Management Act	0.2	-	-	-	-	-	-	-	0.2
Costs associated with lane rental schemes	-	-	-	-	-	-	-	-	-
Costs associated with Industrial Emissions Directive	-	-	-	-	-	-	-	-	-
Total base operating expenditure	18.9	24.0	12.9	71.1	7.4	6.8	(3.6)	1.6	139.1
Capital expenditure									
Maintaining the long term capability of the assets - infra	11.6	19.2	10.3	0.4	-	-	-	-	41.5
Maintaining the long term capability of the assets - non-infra	3.4	5.6	3.0	39.1	-	1.5	16.8	-	69.4
Total base capital expenditure	15.0	24.8	13.3	39.5	-	1.5	16.8	-	110.9
Operating expenditure (AMP 7 shadow reported values)									
Power	3.6	6.7	3.6	20.1	5.4	1.3	(0.1)	0.1	40.7
Income treated as negative expenditure	-	-	-	-	-	-	(17.3)	-	(17.3)
Traffic Management Act									
Projects incurring costs associated with Traffic Management Act (nr)	2,057.0	-	-	-	-	-	-	-	2,057.0

4N DEVELOPER SERVICES EXPENDITURE: WATER RESOURCES AND WATER NETWORK+ for the 12 months ended 31 March 2025

	Water network+		
	Treated water distribution		
	Capex	Opex	Totex
	£'m	£'m	£'m
New connections	9.4	-	9.4
Requisition mains	4.2	-	4.2
Infrastructure network reinforcement	4.8	-	4.8
s185 diversions	1.1	-	1.1
Other price controlled activities	0.3	0.6	0.9
Total developer services expenditure	19.8	0.6	20.4

40 DEVELOPER SERVICES EXPENDITURE: WASTEWATER NETWORK+ AND BIORESOURCES

for the 12 months ended 31 March 2025

	Wastewater network+					
	Foul	Surface water drainage	Highway drainage	Sewage treatment and disposal	Sludge liquor treatment	Total
	£'m	£'m	£'m	£'m	£'m	£'m
Capex						
New connections	0.1	-	-	-	-	0.1
Requisition sewers	1.3	-	-	-	-	1.3
Infrastructure network reinforcement	-	-	-	-	-	-
s185 diversions	0.2	-	-	-	-	0.2
Other price controlled activities	0.8	-	-	-	-	0.8
Total total developer services capex	2.4	-	-	-	-	2.4
Opex						
New connections	-	-	-	-	-	-
Requisition sewers	-	-	-	-	-	-
Infrastructure network reinforcement	-	-	-	-	-	-
s185 diversions	-	-	-	-	-	-
Other price controlled activities	0.6	-	-	-	-	0.6
Total developer services opex	0.6	-	-	-	-	0.6
Totex						
Total developer services expenditure	3.0	-	-	-	-	3.0

4P EXPENDITURE ON NON-PRICE CONTROL DIVERSIONS for the 12 months ended 31 March 2025

	Water resources	Water network+	Wastewater network+	Total
	£'m	£'m	£'m	£'m
Capex				
Costs associated with NSWRA diversions	-	3.1	-	3.1
Costs associated with other non-price control diversions	-	-	-	-
Other developer services non-price control capex	-	-	-	-
Developer services non-price control capex	-	3.1	-	3.1
Opex				
Opex associated with NSWRA diversions	-	-	-	-
Opex associated with other non-price control diversions	-	-	-	-
Other developer services non-price control opex	-	-	-	-
Developer services non-price control opex	-	-	-	-
Totex				
Costs associated with NSWRA diversions	-	3.1	-	3.1
Costs associated with other non-price control diversions	-	-	-	-
Other developer services non-price control totex	-	-	-	-
Developer services non-price control totex	-	3.1	-	3.1

4V MARK-TO-MARKET OF FINANCIAL DERIVATIVES ANALYSED BASED ON PAYMENT DATES for the 12 months ended 31 March 2025

	Derivatives - Analysed by earliest payment date				Derivatives - Analysed by expected maturity date			
	Net settled	Gross Settled outflows	Gross Settled inflows	Total	Net settled	Gross Settled outflows	Gross Settled inflows	Total
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Due within one year	0.3	-	-	0.3	0.3	-	-	0.3
Between one and two years	-	-	-	-	-	-	-	-
Between two and three years	2.8	-	-	2.8	2.8	-	-	2.8
Between three and four years	-	-	-	-	-	-	-	-
Between four and five years	-	-	-	-	-	-	-	-
After five years	-	-	-	-	-	-	-	-
Total	3.1	-	-	3.1	3.1	-	-	3.1

4W DEFINED BENEFIT PENSION SCHEME – ADDITIONAL INFORMATION for the 12 months ended 31 March 2025

	Defined benefit pension schemes
	Northumbrian Water Pension Scheme
	£'m
Scheme details	
Scheme name	Northumbrian Water Pension Scheme
Scheme status	Closed to accrual of future defined benefits
Scheme valuation under IAS/IFRS/FRS	
Scheme assets	689.5
Scheme liabilities	715.8
Scheme surplus / (deficit) Total	(26.3)
Scheme surplus / (deficit) Appointed business	(25.9)
Pension deficit recovery payments	5.9
Scheme valuation under part 3 of Pensions Act 2004	
Scheme funding valuation date	31 December 2022
Assets	799.2
Technical Provisions	980.7
Scheme surplus / (deficit)	(181.5)
Discount rate assumptions	Gilts +0.25% pa
Recovery plan (where applicable)	
Recovery Plan Structure	Recovery Plan signed on 31 October 2023. Schedule of contributions requires employers to pay the following deficit reduction contributions: £23.8m pa, with effect from 1 January 2023 to 31 March 2023; plus £27.1m pa, with effect from 1 April 2023 to 31 October 2023; £6.0m pa, with effect from 1 November 2023 to 31 October 2038, increasing annually by RPI from 1 January 2025. An additional allowance of £1.5m for Scheme expenses will be paid, also increasing annually by RPI.
Recovery plan end date	31 October 2038

	Defined benefit pension schemes
	Northumbrian Water Pension Scheme
	£'m
Asset Backed Funding (ABF) arrangements	Yes, an ABF arrangement was implemented on 31 October 2023. The Recovery Plan was agreed taking full account of the ABF structure. Deficit contributions up to 31 October 2023 were before the implementation of the ABF and contributions from 1 November 2023 onwards were based on the ABF having been implemented. The principal asset of the ABF is a £545m loan note from Northumbrian Water Company 1 Scottish Limited Partnership to NWL. The repayments of this loan note underpin the Recovery Plan payments to the NWPS. The value of the ABF arrangement is not included in the calculation of the deficit for the NWL Consolidated Financial Statements, in accordance with IAS 19.
Responsibility for ABF arrangements	The appointed business is responsible for 98.3% of the deficit contributions with the remainder paid by the NWL non-appointed business and an associated company.

9A INNOVATION COMPETITION

	Current
Allowed	£'m
Allocated innovation competition fund price control revenue	3.0
Revenue collected for the purposes of the innovation competition	
Innovation fund income from customers	3.0
Income from customers to fund innovation projects the company is leading on	10.2
Income from customers as part of the inflation top-up mechanism	-
Income from customers that is transferred to other companies as part of the innovation fund	2.4

9A INNOVATION COMPETITION (continued)

	Total amount of funding awarded to the lead company through the innovation fund	Total amount of inflation top-up funding received	Forecast expenditure on innovation fund projects in year (excl 10% partnership contribution)	Actual expenditure on innovation fund projects in year (excl 10% partnership contribution)	Forecast project lifecycle expenditure on innovation fund projects (excl 10% partnership contribution)	Cumulative actual expenditure on innovation fund projects (excl 10% partnership contribution)	Difference between actual and forecast expenditure	Allowed future expenditure on innovation fund projects (excl 10% partnership contribution)	In year expenditure on innovation projects funded by project partner contributions	Cumulative expenditure on innovation projects funded by shareholders of the lead water company	Cumulative expenditure on innovation projects funded by shareholders of the lead water company
	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Organics Ammonia	0.2	-	-	-	0.2	0.2	-	-	-	-	-
Spring Centre of Excellence	0.3	-	-	-	0.2	0.2	-	-	-	-	-
Fairwater	3.8	-	0.1	0.1	3.8	2.5	(1.3)	1.3	-	-	-
National Leakage Research Centre	5.3	-	0.3	0.3	5.3	0.7	(4.6)	4.6	0.4	-	0.4
Open data sharing platform	0.9	-	-	-	0.9	0.9	-	-	-	-	-
Support For All	0.6	-	-	-	0.7	0.7	-	-	-	0.1	-
SuPR Loofah (Sustainable Phosphorus Recovery)	0.4	-	0.1	0.1	0.4	0.4	-	-	-	-	-
Water Quality As-A-Service Treatment-2-Tap	0.7	-	0.2	0.2	0.7	0.6	(0.1)	0.1	-	-	-
Hydro Powered Concentric Smart Meter	0.9	-	0.5	0.5	0.9	0.7	(0.2)	0.2	-	-	-
Root defender	0.9	-	0.5	0.5	0.9	0.4	(0.5)	0.5	-	-	-
Water Literacy toolkit	0.9	-	0.2	0.2	0.9	0.3	(0.6)	0.6	-	-	-
Transform Stream 2	4.0	-	1.5	1.5	4.0	3.6	(0.4)	0.4	0.5	-	0.8
River Deep Mountain AI (RDMAI)	5.1	-	2.4	2.4	5.1	2.4	(2.7)	2.7	-	-	-
Support for All phase 2	1.8	-	1.1	1.1	1.8	1.1	(0.7)	0.7	-	-	-
Pipebot Patrol	1.6	-	0.7	0.7	1.6	0.7	(0.9)	0.9	-	-	-
METREAU	1.7	-	-	-	1.7	-	(1.7)	1.7	-	-	-
	29.1	-	7.6	7.6	29.1	15.4	(13.7)	13.7	0.9	0.1	1.2

Administration	£'m
Administration charge for innovation partner	0.1

Innovation Competition

As part of PR19 Ofwat established its Innovation Fund, the purpose of which is to grow the water sector's capacity to innovate enabling it to better meet the evolving needs of customers, society and the environment. Our revenue allowance includes £3.0m per annum, which is recovered through customer charges, to contribute towards the Innovation Fund.

Innovation fund income received from customers was £3.010m (23/24 £2.889m).

There was also a payment to Ofwat of £0.130m for the innovation partner administration charge.

£m	20/21	21/22	22/23	23/24	24/25	Cumulative
Income from customers (price control)	2.512	2.526	2.642	2.890	3.010	13.580
Innovation project cost contributions	0	-0.128	-3.509	-2.845	-2.443	-8.925
Administration partner costs	0	-0.116	-0.106	-0.162	-0.130	-0.514
Net	**2.512**	**2.282**	**-0.973**	**-0.117**	**0.437**	**4.141**

The net receipt of £4.141m has been accrued in operating costs in the Statutory accounts but removed from the Regulatory accounts, in accordance with Ofwat guidance.

NWL has received the funding in 2024/25 to lead on a number of projects (through the Water Breakthrough Challenge 4 Discovery and Catalyst Streams):

- River Deep Mountain AI – open source, scalable, digital models to inform effective action to tackle waterbody pollution
- Support For All phase 2
- Pipebot Patrol - autonomous sewer robots
- Metreau - microbial electrochemical technologies for resource recovery and utilisation

The income and expenditure to date for each project is shown on the table above.