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# An update on our Business Plan 2025-30

July 2024

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# Introduction

1. Every five years, Ofwat (the economic regulator) carries out a price review for all water and wastewater companies. Through this process we agree the investments that we will make, the service levels we will deliver for customers and the bills they will need to pay for these.
2. We published our [Business Plan 2025-30](#) for Ofwat to review on 3 October 2023 - our 'October plan'. Since then, Government and regulators have continued to refine and change the policy and guidance that they issue to companies about the standards and outcomes they expect us to deliver. We didn't have this new information back in October last year, so we'll need to make some adjustments to our plan, including the bills customers can expect during 2025-30. Also, we've identified a few corrections in the details of our submission in response to clarifications received after we published the plan. We published a [small update](#) to the Business Plan information in February, reflecting the changes up to that point.
3. Ofwat has now confirmed it will publish its draft determinations (or initial assessments of the plans) on Thursday 11 July 2024, following the general election. Before this, we want to update our customers and stakeholders about the status of our Business Plan. We expect some elements to continue to be subject to uncertainty and so we may publish further updates in the future ahead of Ofwat's final decisions in December.



Levington Creek, Suffolk

# Our October 2023 Business Plan

- The October plan explained that we will invest more than ever before between 2025 and 2030 – more than double the current rate of investment, and by far the largest investment programme we have ever delivered. That plan included £1.7bn to improve the environment, including around £1bn of investment to reduce sewage spills by about a fifth. That is ten times the current approved level of investment for the environment.
- To fund this investment, customer bills will need to increase over time. In our October plan we estimated that:
  - In the North East, where we provide both water and wastewater services to customers, bills would need to increase by about 20% between now and 2029-30.
  - In Essex and Suffolk, where we provide only water services to customers, bills would need to increase by 14%.
- Across both areas together, [Ofwat calculated](#) this would increase our customers' bills overall by 13.6% on average<sup>1</sup>.
- All the above estimates are calculated **before** adding future inflation. The [Consumer Council for Water](#) (CCW) has estimated that our bills could rise by around 26% with inflation included, and this has been [reported in the media](#).
- We understand any increase in bills won't be welcome at the current time. For some of our customers this will be incredibly difficult and there lots of ways we can help anyone who is struggling to pay. The increase we proposed in our business plan was one of the lowest increases across the sector and is substantially mitigated by the 18% bill reduction we delivered in 2020, which was the largest reduction in the sector.
- 46% of our customers told us that this was not affordable, and we wanted to make sure our plan required no more of an increase in bills than is necessary. To address the affordability challenge, we expanded our support for all customers, and will provide more than four times as much support to customers who struggle to afford their bill by 2030 than we do now. This will include a new £20m shareholder funded hardship fund to help those that need it most.
- We explained in the October plan how we had engaged with customers to shape the final proposals. We spoke to customers about the areas of the plan where we did not have restrictive legal obligations, because these were areas where customers could make meaningful choices about the right balance of investments and service. However, statutory requirements from the Government have driven the majority (over 90%) of the investments we must make between 2025 and 2030.
- We also engaged with our stakeholders including local authorities, environmental non-government organisations, business organisations, members of parliament, and many other interested groups. [The Water Forum](#), an independent challenge group made up of industry regulators, subject matter experts, and independent members, challenged us and gave us confidence this is the right plan for our customers. In our customer research, 74% of customers said that they would accept the Business Plan.

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**“ We examined areas including how this Business Plan fits with the company’s long-term strategy; and the affordability of the plan for customers, particularly those struggling to pay. We believe that Northumbrian Water aimed to build as good a Business Plan as it could, in very challenging circumstances.”**

The Water Forum, an Independent Challenge Group  
Click [here](#) to read its full report.

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- CCW has [reviewed our Business Plan](#) already alongside other companies' plans, and has provided some feedback. We were pleased that their independent report supported our plans to end water poverty through our affordability support for customers, recognised examples of best practise in our customer engagement and that we had worked very effectively with our independent challenge group, the Water Forum, and responded to the challenge they provided.

<sup>1</sup> In this calculation Ofwat uses a slightly different methodology that combines our North East and Essex and Suffolk operating areas.

# What has happened since the Business Plan was submitted in October 2023?

13. Ofwat is still assessing ours (and other water companies') Business Plans and will publish its draft determinations (initial assessments) on Thursday 11 July 2024.

14. Since we published our Business Plan, we have made a few changes in response to requests from Ofwat or other regulators. We have also made a small number of corrections in the detail of the submission, in some cases in response to clarifications issued after we published the plan.

15. We published a [summary of these updates](#) in January 2024. The main changes are:

- A reduction in the scale of the septic tanks programme following changes to the requirements and guidance issued by the Environment Agency (£17m reduction in our plan).
- An increase in the costs of a Kielder Reservoir bulk supply proposal following discussions with Ofwat and other regulators (£3m increase in our plan).

These changes were very small.

16. We wrote to Ofwat on Friday 24 May 2024 because there are some larger changes to come. This is because the Environment Agency (EA) sets the requirements for most of our environmental investments, through the Water Industry National Environment Programme (or WINEP). The EA also sets the requirements for our abstraction licences for drawing water from rivers and groundwater, which we then plan to meet through our Water Resources Management Plan (or WRMP). The requirements for both have changed since we drafted our Business Plan.

17. In our Business Plan (p19), we explained our plans to revive Teesmouth – where reducing nutrient runoff from agriculture, industry, cities and wastewater is key to protecting water quality and marine life. We proposed an alternative plan that uses innovative but more uncertain nature-based solutions in the Tees catchment to remove nutrients from the water directly, tackling much more than just wastewater. This includes seaweed and shellfish farming; restoring native oysters, seagrass, and saltmarshes; and new integrated constructed wetlands. Our customers and local stakeholders strongly supported our plans, which would be much cheaper and have far more benefits for the environment than traditional solutions. In June Defra fed back to us that we may have to build a long sea outfall but we are likely to proceed with the nature based solutions

as trials. This option would avoid high carbon and even more expensive traditional treatment but the long sea outfall will require additional funding. Discussions with Defra and the EA are ongoing

18. These regulatory decisions about WRMP and Teesmouth mean that bills will be higher than we expected – but our work with the EA to find savings that could be made in WINEP mean that this increase is smaller than it would otherwise have been. Taken together, these changes would mean that our Business Plan would need to increase by about another £101m – that's about £3 per year more on wastewater bills than our original plan in the North East, and a £1 increase in water bills in Essex and Suffolk. We explain each of these below:

- The EA has told us that there will be even larger reductions in abstraction (meaning we can take less water from the environment) in Essex and Suffolk, both seriously water stressed areas. Our Business Plan already meant large investments in new water supplies to protect rivers in these areas, particularly in Suffolk. Now, we have been asked to investigate and design three new water supplies in addition to our Business Plan. This will help regulators to make decisions

about the right investment choices for the environment and customers in Essex and Suffolk from 2028 onwards. This could mean much more investment in water resources from 2028, and so higher bills for customers. In 2027, Ofwat will make this decision based on the EA's requirements.

- As we explained above, we may need to build a new long sea outfall from our Bran Sands treatment works. Like us, the Government and our environmental regulators clearly want to see improvements in the environment. However, they are concerned that our proposals are more uncertain than traditional engineering approaches – and so the current preference is to build a long sea outfall from our Bran Sands treatment works. This would mean that instead of treated wastewater entering the Tees estuary from Bran Sands, this would now be discharged further out to sea. This treated wastewater is clean and safe for the environment, but still contains nutrients which could cause algae to grow, affecting ecosystems in the Tees estuary. This would not be a problem in the sea, where there would be a lower concentration of nutrients. This long sea outfall would cost an estimated £212m more than our business plan (see

our [business plan technical document](#), p54, for a comparison of these options).

- We want to reduce the use of storm overflows. Our investigations have shown that there are ten additional storm overflows that should be tackled between 2025 and 2030. The EA requires us to tackle storm overflows now if detailed investigations show that the benefits of reducing spills could be greater than the costs of doing so (from 2025, the Government's plan for storm overflows means that we can invest in reducing spills even where this is not considered cost beneficial). We have agreed with the EA that we will add these to our plan.
- Between 2025 and 2035, we must install new monitors to measure river water quality in our areas. We made sure our Business Plan followed the EA guidance, but we then challenged the EA to make improvements to its guidance to make this more efficient – for example, by removing duplicate monitors where this would not add any value. This helped to reduce the number of monitors required between 2025 and 2035 from 2,138 to 1,334.

- The EA has changed its guidance on how and where we should monitor pollution at emergency overflows across our networks. Emergency overflows are different to storm overflows and should only be used as a last resort. We will follow the new guidance, which means a smaller number of monitors installed between 2025 and 2030.

19. We have explained these changes to Ofwat and will provide full details in our response to Ofwat's draft determinations.

20. There could still be wider changes in expectations from the Government or regulators, too. They make decisions about the pace and scale of environmental investments, and we must then deliver these targets. In the past, we have delivered all of our environmental investments on time and to the satisfaction of the Environment Agency<sup>2</sup>. These requirements could still change between now and when Ofwat makes its final decisions in December, or even after that.

21. Many of our customers wanted us to go further on issues such as storm overflows – but also, overall, 46% of customers considered our plan difficult to afford. The Water Forum asked us to consider how we could accelerate these plans without going beyond the investment in our Business Plan. We are looking at what this would mean and have arranged for further customer research to test this further.

<sup>2</sup> See: <https://www.gov.uk/government/publications/water-and-sewerage-companies-in-england-environmental-performance-report-2022/northumbrian-water-epa-data-report-2022> section 6

### What are storm overflows?

Storm overflows are an important part of our wastewater network because they protect customers' homes and the environment.

They operate automatically as a relief system during heavy rain or storm conditions, or if the sewers are overwhelmed because of more water or blockages, and reduce the risk of flooding to streets, homes, and businesses.

As the rainwater runs into and overwhelms the sewer network, the overflows release the storm water into our waterways (as permitted by the EA).

A small amount of wastewater from our network can be mixed into this overflow, but, due to the amount of rainwater, it is significantly diluted.



[Click here to view a short animation that explains how storm overflows work.](#)

## What are the next steps?

22. Ofwat will publish its draft determinations on Thursday 11 July 2024 on its website. We will respond to Ofwat's consultation and provide it with further details of these changes to our plan at the end of the summer.
23. Ofwat will then consider responses from customers and stakeholders as well as Northumbrian Water and it will make final decisions in December 2024. In the meantime, we have already started work on delivering our ambitious programme of work.



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Cover image: Tollesbury salt marshes, Essex

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