

# FUTURE WATER ANNUAL LIAISON MEETING

APRIL 2025

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# NWG TEAM

Steve Betts – Head of Procurement

John Murray – Commercial Manager– Procurement (CAPEX)

Laura McMain – Procurement Manager Sourcing

Stuart Smith – Investment Planning Lead

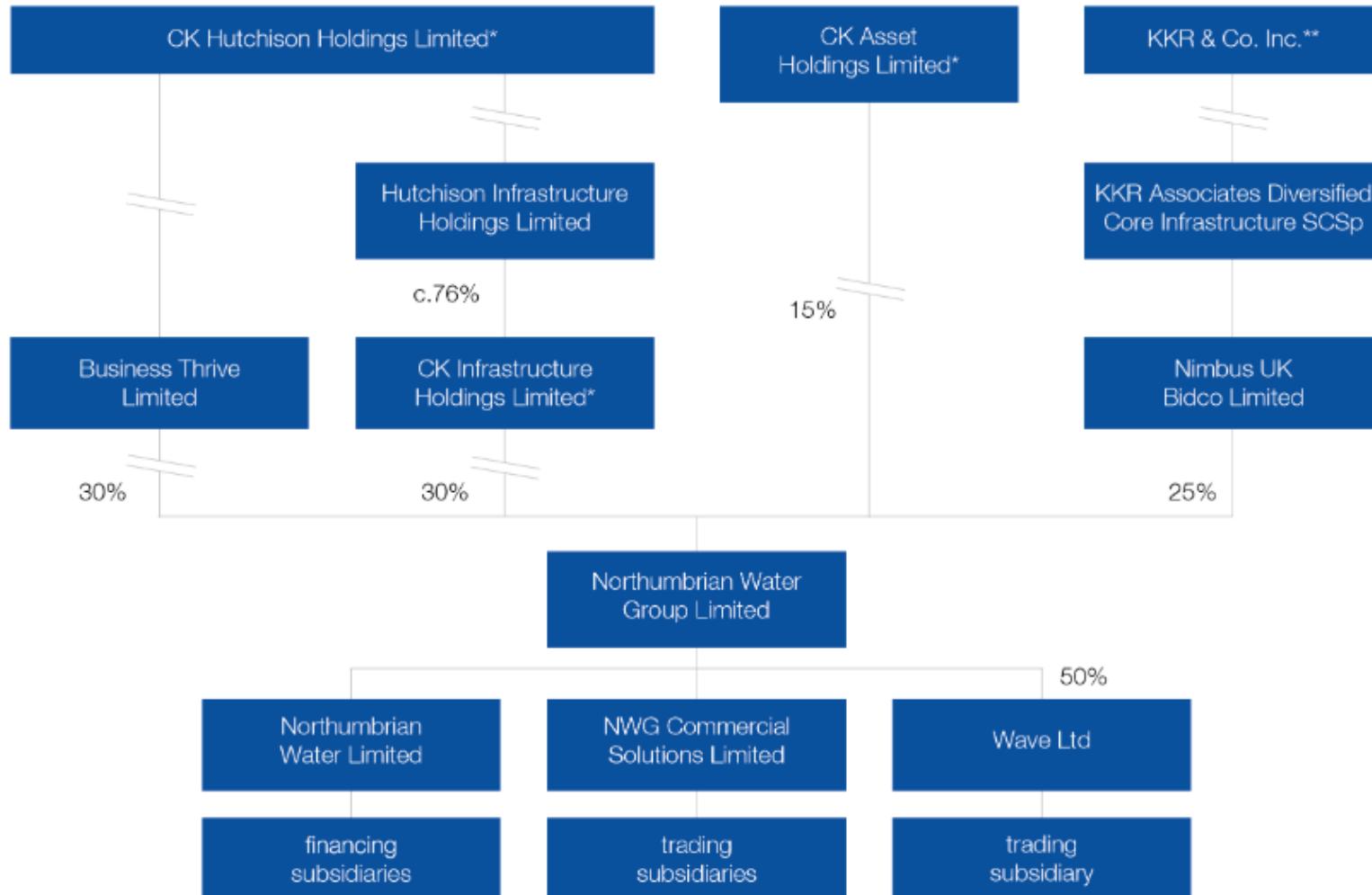
Crawford Winton – Regulation Manager

Lauren Briggs – Innovation Facilitator

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# STRUCTURE

Group structure



\*Companies listed on The Stock Exchange of Hong Kong Limited

\*\*Companies listed on the New York Stock Exchange

# OUR COMPANY THE NORTHUMBRIAN WATER GROUP



**NORTHUMBRIAN**  
**WATER** *living water*

2.7m customers  
Water Production and Distribution  
Sewerage and Waste Water Treatment

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

1.8m customers  
Water Production and Distribution

## WATER

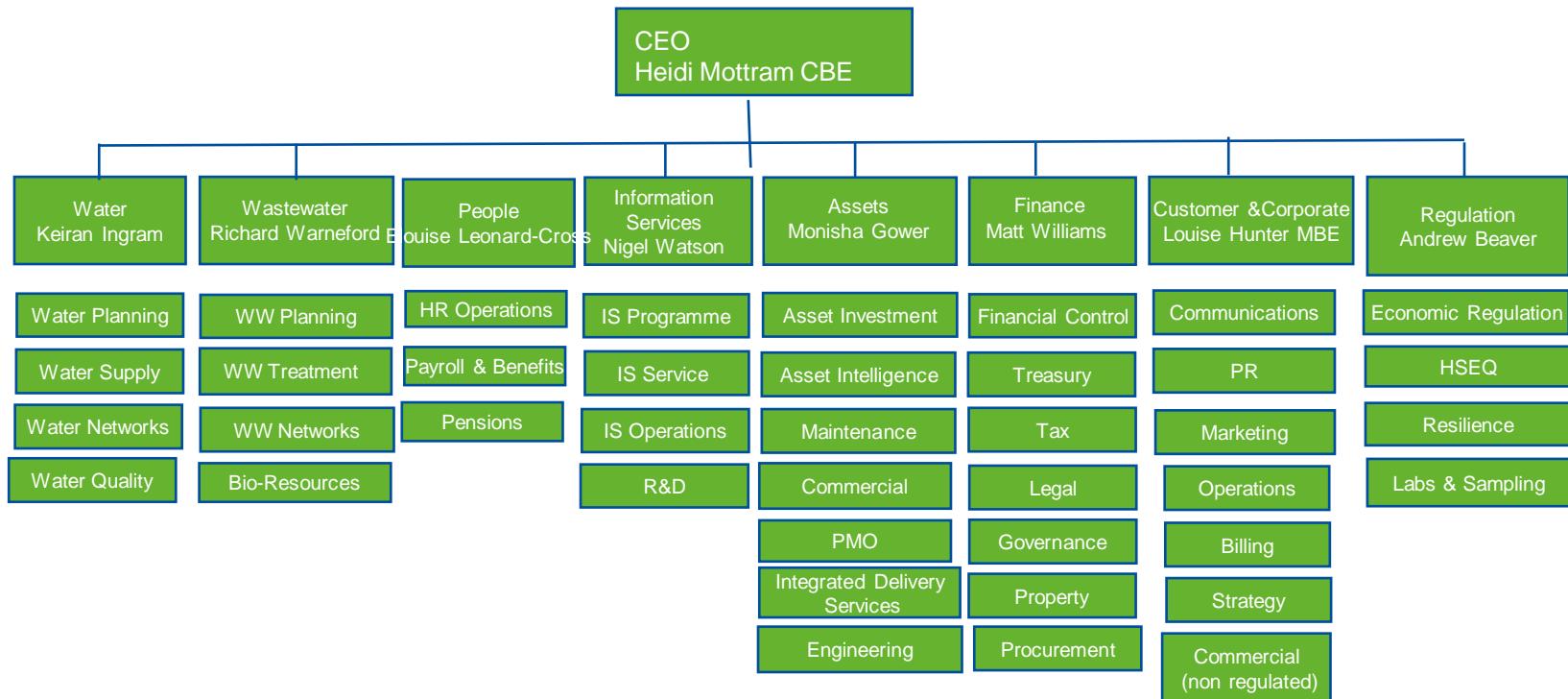
44 impounding reservoirs  
57 water treatment works  
344 water pumping stations  
338 water service reservoirs  
25,545km water mains (16,000 miles)

## SEWERAGE

418 sewage treatment works  
765 sewage pumping stations  
29,724km sewers (18,000 miles)

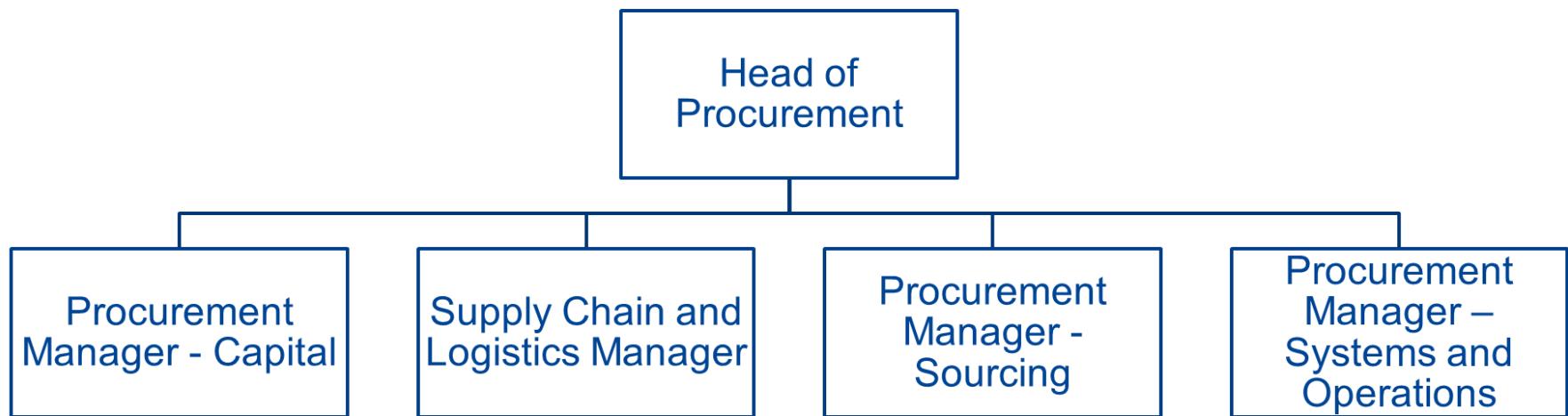
*Customer focused · Results driven · Ethical · Creative · One team*

# NWL EXECUTIVE LEADERSHIP TEAM



## NWL PROCUREMENT TEAM

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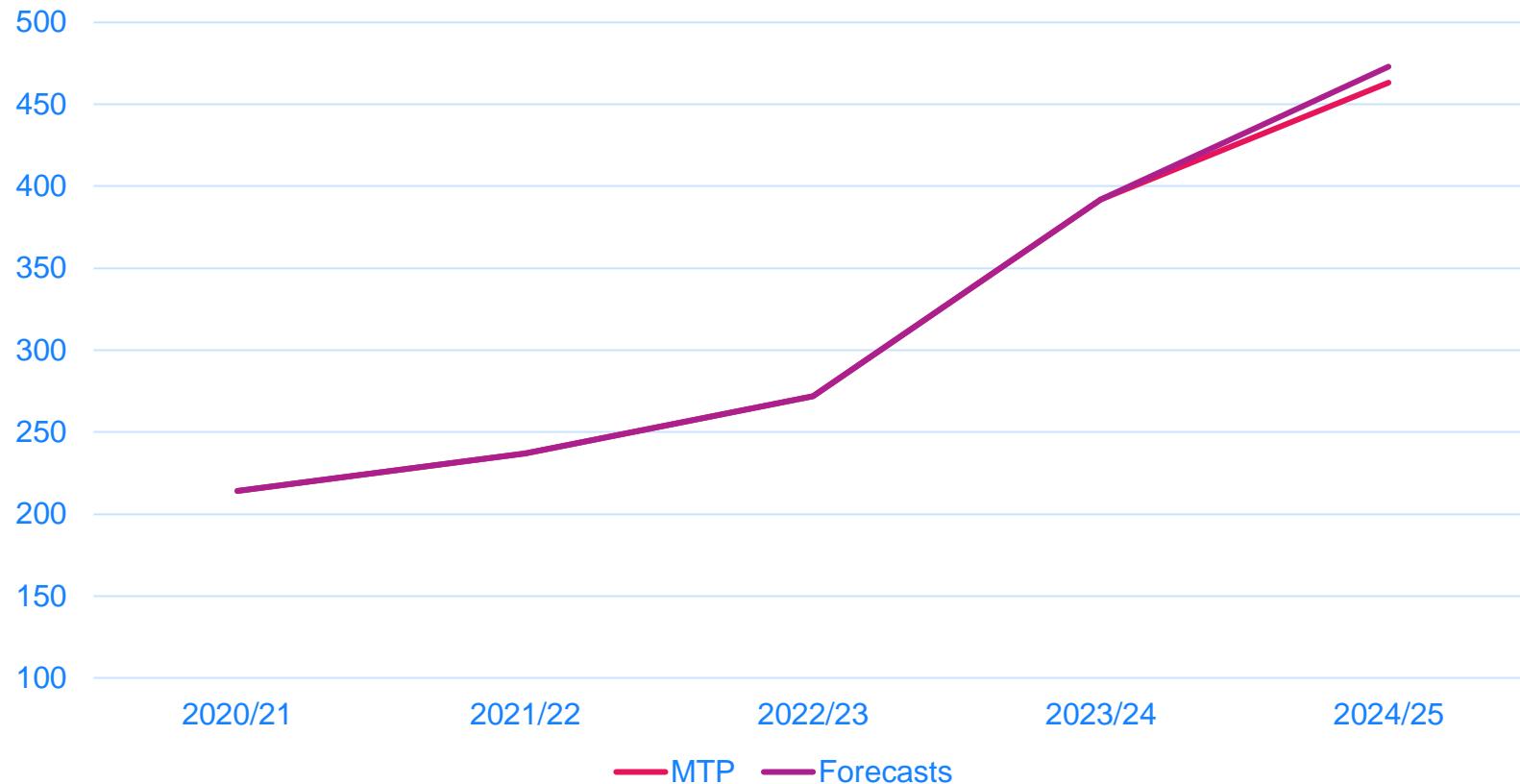


# CAPEX UPDATE

Stuart Smith

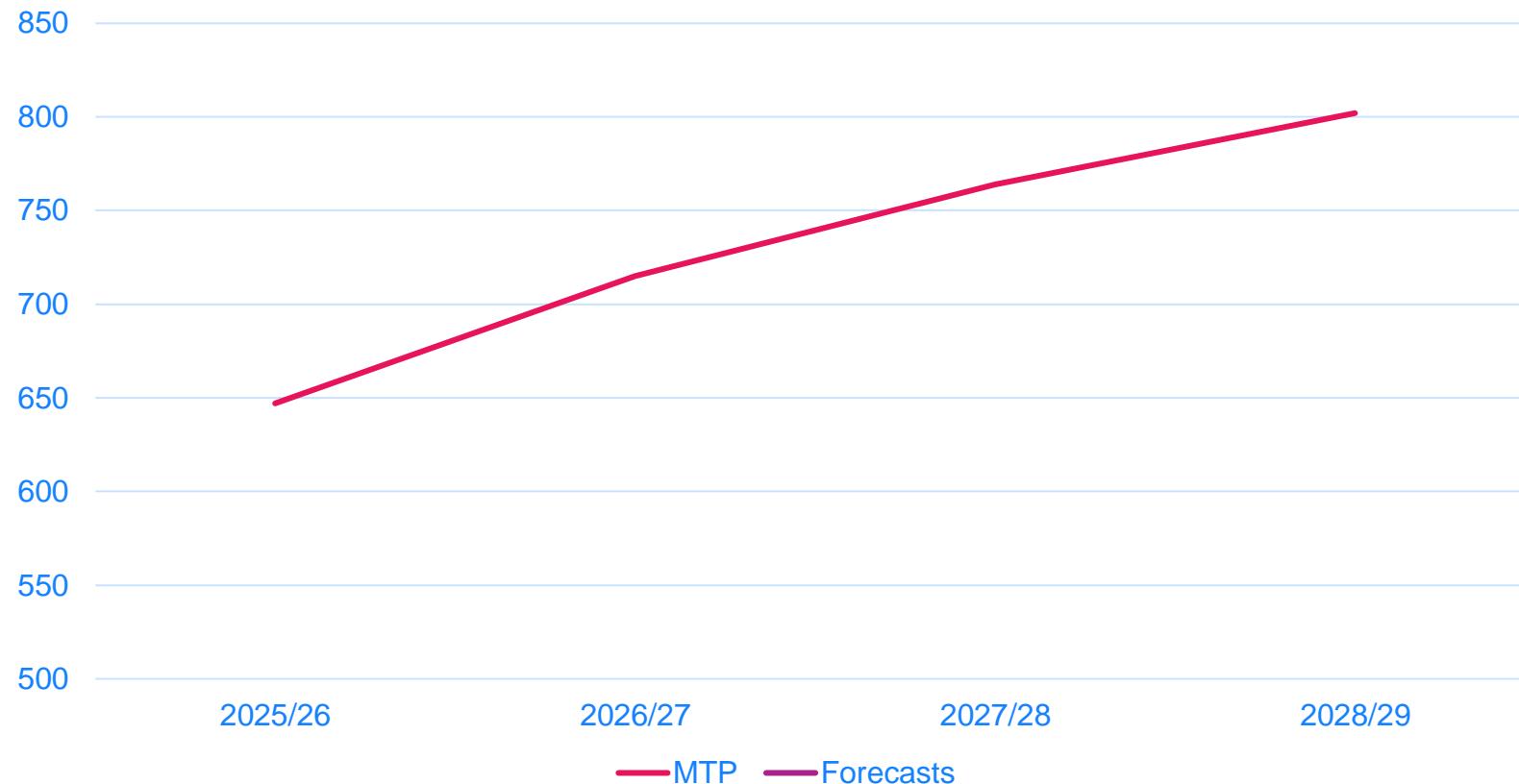
# AMP7 CAPEX

## LATEST FORECAST OF AMP7 CAPITAL PLAN



## AMP8 CAPEX

### MTP FOR AMP8 - A SIGNIFICANT STEP UP AS PER REST OF THE SECTOR



## TRANSITIONING THE HIGH- QUALITY PLAN TO BUSINESS AS USUAL

### What is the High-Quality Plan?



POWER BI

**The High Quality Plan is a new level of project execution planning information, for the whole AMP, built from the Investment plan/Medium Term Plan, accessible to all.**

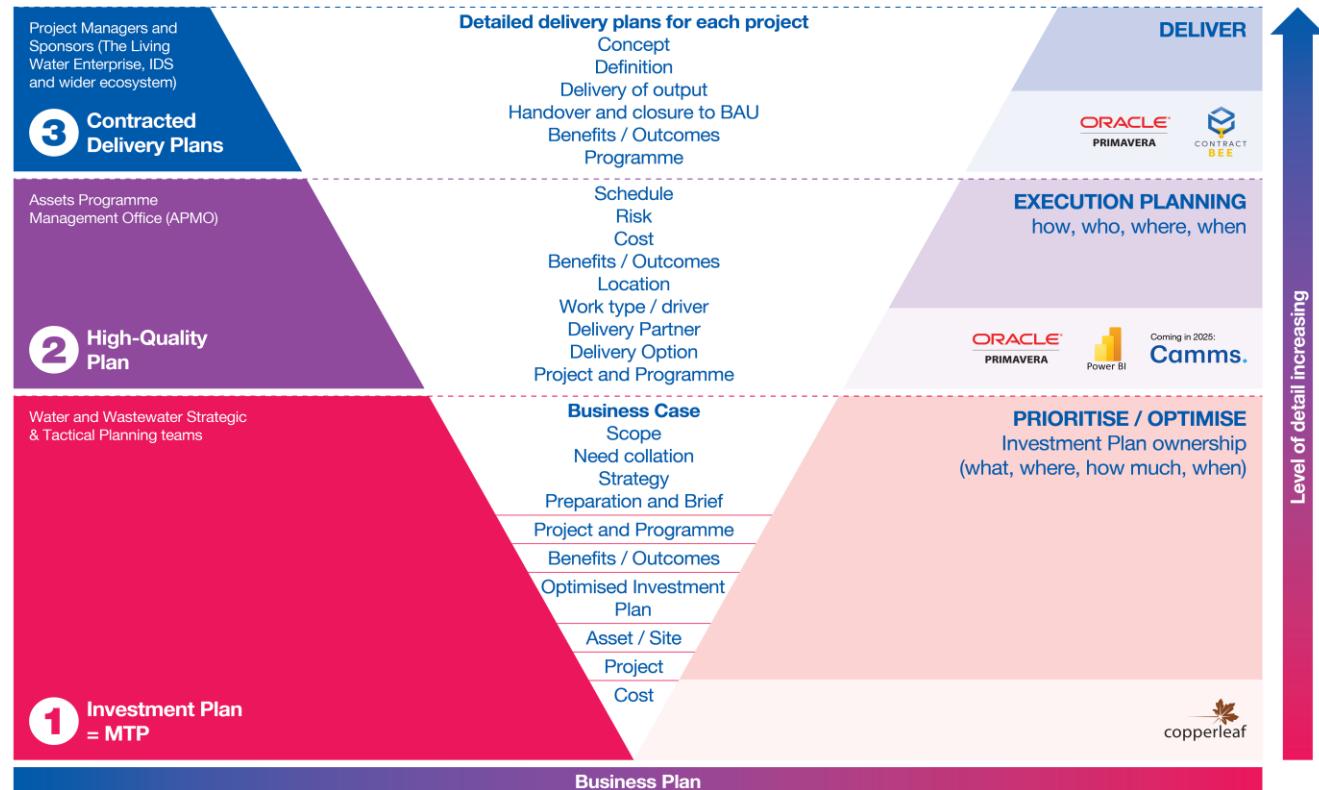
**It shows both current progress and the future direction. It acts as the single source of truth.**

- Helps delivery teams and partners to make **smart informed decisions**
- Ensures we stay **aligned with our long-term goals, whilst being agile.**
- Based on a five-year plan, it is dynamic, evolving as decisions are made, projects finish, and sub-programmes shift. It is a **key tool to turn our Investment Plan into a high level Execution Plan.** It ensures all work aligns with our shared goals and commitments.
- The data workflows between the Investment Plan – Medium Term Plan (MTP) and High-Quality Plan will build from the current approach and will be currently being developed and will be completed in early 2025. A further update will be provided at this point.

## TRANSITIONING THE HIGH- QUALITY PLAN TO BUSINESS AS USUAL

### How is the High-Quality Plan created?

**The High-Quality Plan forms the foundation of transforming our Business Plan into a cohesive, actionable, and cost-effective strategy.**



**Output** - The tangible solution, product, or change we have implemented.

**Outcome** - The business change (capability) that is a direct result of the output.

**Benefit** - The measure of the advantage gained by the organisation through achieving the outcome.

# AMP8 TRANSFORMATION

## TRANSITIONING THE HIGH- QUALITY PLAN TO BUSINESS AS USUAL

### Visualising the High-Quality Plan

Different stakeholders will have different, and evolving needs of the data they want to see, and how they would like to see it.

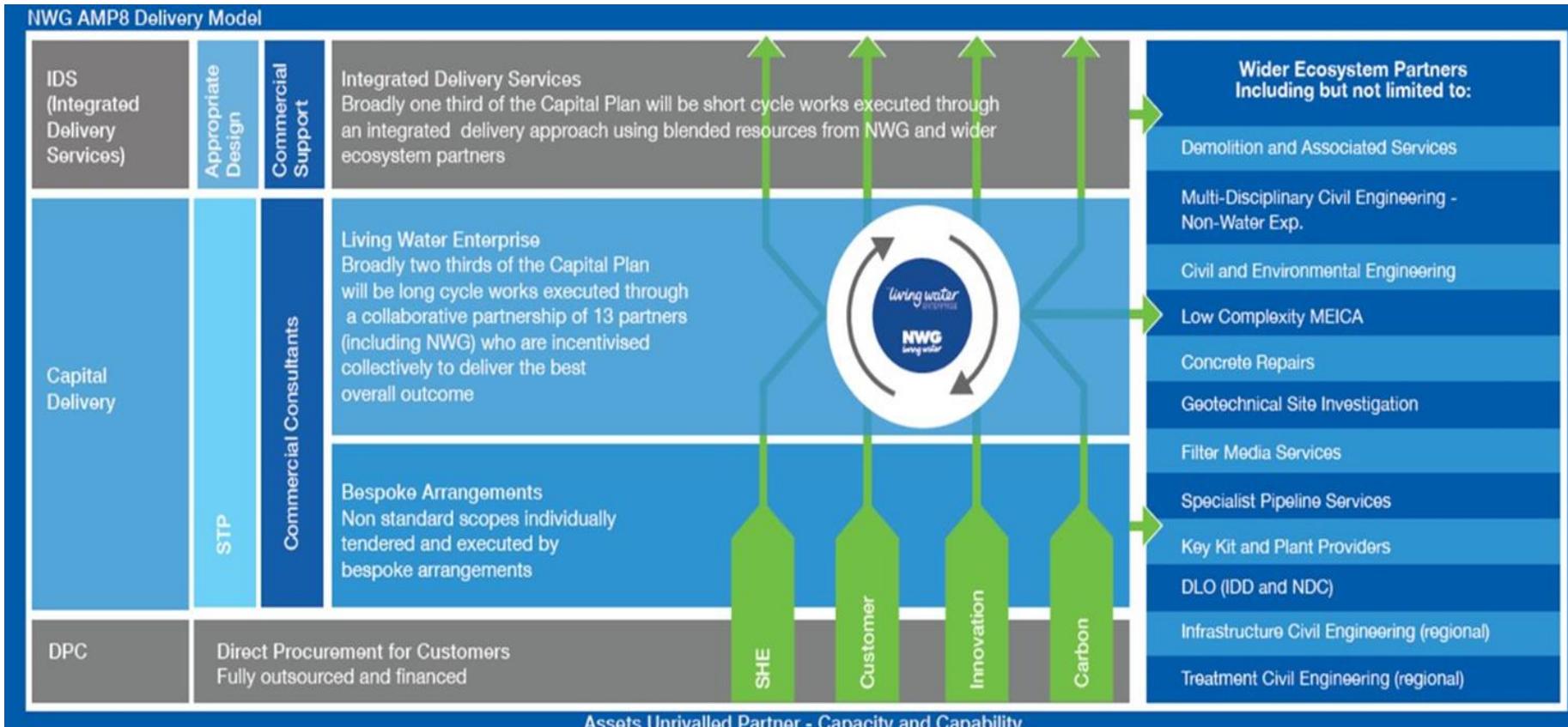
- To maximise the opportunity of meeting those needs, the HQP uses Power BI visualisation to represent the data.
- The Power BI interface is centrally located, and will be updated as required, with all stakeholders informed.
- The link to the HQP Power BI can be found here - [HQP - Power BI](#)



POWER BI



# AMP8 DELIVERY MODEL A FLEXIBLE APPROACH



Assets Unrivalled Partner - Capacity and Capability

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# THANK YOU

# REGULATION UPDATE

Crawford Winton  
Regulation Manager

# PROSPECTS FOR PR24

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## AMP7: Challenging times...

AMP7 to date: 2020-24

- Industry is overspending FD totex  
(Industry is 12% overspending for 20-24)
- Industry is in net ODI penalty (only 3 companies outperforming)
- Thames Water financial difficulties
- Storm overflow reporting has a high media profile and has become a political issue

**Storm overflow spill data shows performance is totally unacceptable**

[Environment Agency](#), 31 March 2023 - [Environment Agency](#)



Environment Agency logo

# CONTENTS

## Northumbrian Water – EA Three Star Company in 2023

### Water and sewerage companies Environmental Performance Assessment 2023



Environment  
Agency

For a version of this document in an accessible format, and for individual water and sewerage company data reports please visit:

<http://www.gov.uk/government/publications/water-and-sewerage-companies-in-england-environmental-performance-report-2023>

Metric and units <sup>1</sup>	Total pollution incidents per 10,000km <sup>2</sup> (actual)	Serious pollution incidents – actual number	Self-reported pollution incidents % <sup>2</sup>	Discharge permit compliance <sup>4</sup> % (failing sites)	Satisfactory sludge use and disposal %	WINEP <sup>5</sup> scheme delivery on time %	Supply Demand Balance Index (SDBI) score	Performance star rating (out of 4) <sup>1</sup>
Anglian Water	40 (307)	11	89 (95)	98.4 (13)	99.43	99.6	100	★ ★ ☆☆
Northumbrian Water	33 (99)	0	94 (96)	98.3 (3)	100	100	100	★ ★ ★☆
Severn Trent Water	26 (239)	0	89 (99)	99.5 (4)	100	100	100	★ ★ ★★
Southern Water	59 (234)	18	69 (80)	99.4 (2)	99.28	100	100	★ ★ ☆☆
South West Water	111 (194)	2	82 (93)	96.2 (12)	99.77	98.8	100	★ ★ ☆☆
Thames Water	32 (350)	14	76 (93)	99.2 (3)	100	93.4	100	★ ★ ☆☆
United Utilities	28 (216)	1	94 (96)	99.0 (4)	100	100	100	★ ★ ★★
Wessex Water	36 (126)	1	94 (100)	99.0 (3)	100	100	100	★ ★ ★★
Yorkshire Water	26 (137)	5	75 (88)	99.7 (1)	99.84	100	100	★ ★ ☆☆
Sector - England	36 (1902)	47	84 (93)	98.8 (45)	99.85	99.2	100	
Dŵr Cymru Welsh Water	30 (107)	7	70 (65)	98.0 (12)	99.84	100	99	★ ★ ☆☆

Red Significantly below target

Amber Below target

Green Achieved target or better

R A G Red, amber, green metric thresholds

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## Ofwat – Performance Report 2023/24 – No leading companies

6

### Overall categorisation

▲ Contents

Company	Customer satisfaction <sup>1</sup>	Priority services	Leakage <sup>1</sup>	Per capita consumption <sup>1</sup>	Supply interruptions <sup>1</sup>	Drinking water quality <sup>2</sup>	Mains repairs	Unplanned outage	Internal sewer flooding <sup>1</sup>	Pollution incidents (category 1-3) <sup>1</sup>	Sewer collapses	Treatment works compliance <sup>1</sup>	Categorisation of performance
<b>Leading</b>													
<b>Average</b>													
Hafren Dyfrdwy	●	●				●	●	●		●			●
Northumbrian Water									●				
Severn Trent Water		●	●										
South West Water – South West region <sup>3</sup>		●	●						●				
Thames Water						●							
United Utilities	●	●	●										
Wessex Water	●												
Yorkshire Water	●												
Affinity Water			●		●					-	-	-	-
South West Water – Bristol region <sup>3</sup>	●	●								-	-	-	-
Portsmouth Water	●				●					-	-	-	-
South East Water						●				-	-	-	-
South Staffs Water					●					-	-	-	-
SES Water					●					-	-	-	-
<b>Lagging behind</b>													
Anglian Water	●	●					●	●			●		
Dŵr Cymru		●							●				
Southern Water									●				

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## NWL Key themes from PR24 FD (2025-30, AMP8)

- 3% lower totex than BP. £6.2bn of totex of which £2.6bn is for enhancements. £3.4bn of capex in total.
- Bill increase of 21% plus inflation over 2025-30, lowest bills in England & lowest combined service increase.

Long term planning (25 years) significant expenditure anticipated for:

- Water Resources Management Plan WRMP
- Drainage & Wastewater Management Plan DWMP

Specifically:

- Suffolk Water Resources
- Storm Overflows
- Nutrient neutrality WINEP
- Asset maintenance backlog (key subject of CMA appeal)

**NWL AMP8 capital programme will increase from current £300m pa to over £700m**

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## PR24 Update – CMA Appeal

<https://www.gov.uk/cma-cases/water-pr24-price-redeterminations>

The NWL appeal is on three main grounds -

- Investment in asset risk management
- Investment in resilience
- Ensuring our overall plan is investable

[https://assets.publishing.service.gov.uk/media/67e1784f64220b68ed6a702e/Northumbrian Water - Statement of Case.pdf](https://assets.publishing.service.gov.uk/media/67e1784f64220b68ed6a702e/Northumbrian%20Water%20-%20Statement%20of%20Case.pdf)

The hearings will be over Summer 2025

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# THANK YOU

# PROCUREMENT UPDATE

More information can be found on the NWG supply chain website:

<https://www.nwg.co.uk/responsibility/supply-chain/>

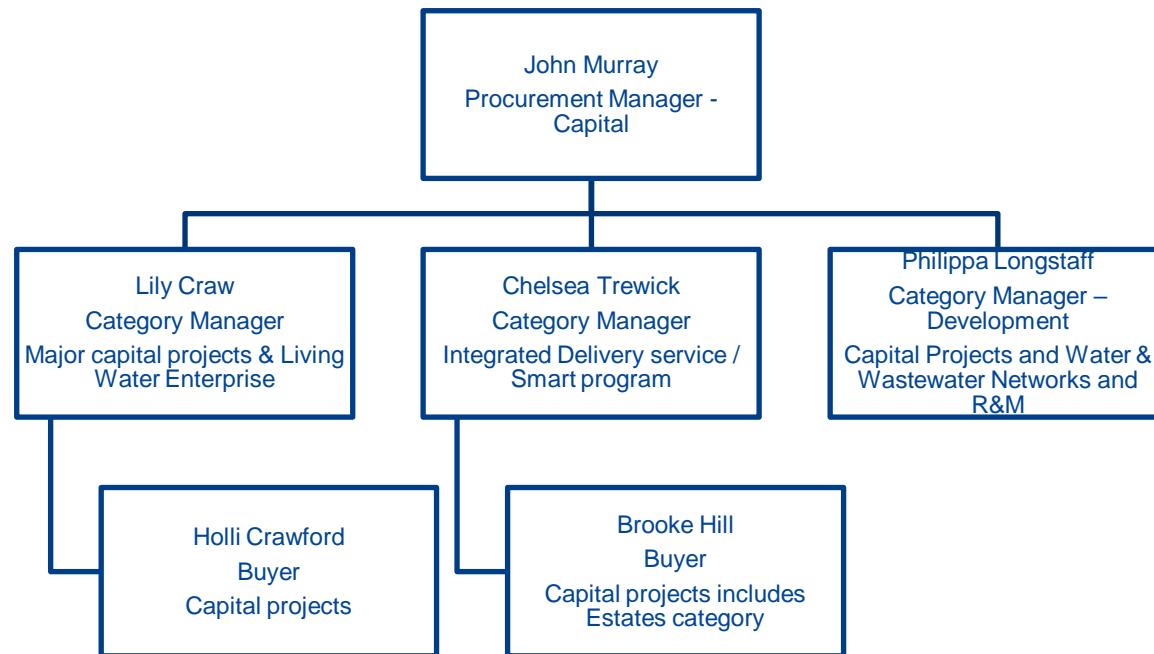
# CAPEX PROCUREMENT

John Murray  
Procurement Manager Capital

# PROCUREMENT STRUCTURE

## CAPITAL PROCUREMENT

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~£1.5Bn/5 years  
£300m/year



~£3.36Bn/5 years  
£600m+/year

### In context of

- Complex labour & supply chain market
- Carbon reduction need
- Grey to green intent
- Increased public scrutiny
- Increased environmental fines
- Climate change
- Tougher regulation

## AMP8 DELIVERY MODEL NWG APPROACH

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One delivery model  
Two delivery vehicles



Living Water  
Enterprise

Integrated  
Delivery  
Services

- New for AMP8
- Up to £2Bn of scope
- Long cycle / named schemes / enhancements

- Scaled up for AMP8
- Larger ecosystem supply chain
- Up to £1Bn of scope
- More short cycle / Sub-programmes / base

# INTEGRATED DELIVERY SERVICES

## WHAT IS IDS?

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**Integrated Delivery Services (IDS)** is the vehicle for delivering 'short-cycle' capital expenditure in AMP8. Typically, lower risk & lower complexity but not necessarily lower cost.

**Highly Integrated** – Project teams will have the right mix of personnel and expertise to drive **Safe**, **Lean** and **Agile** delivery. The IDS ethos...

**Three main areas of activity and expertise:**

- Programme & Project Management
- Internal Design & Delivery Capability (Infra and Non-Infra)
- Developer Services Design & Delivery



## INTEGRATED DELIVERY SERVICES OUR ECOSYSTEM



## THE LIVING WATER ENTERPRISE

### WHAT IS IT?

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- **The Living Water Enterprise (LWE)** is the vehicle for delivering ‘long-cycle’ capital expenditure in AMP8
  - Replaces current ‘Runway 2’ frameworks.
- **Highly collaborative** – members are jointly incentivised to outperform
  - All Partners succeed (or fail) together.
- Combines a range of different skillsets:
  - Capable Client
  - Strategic Technical Partners (STP)
  - Strategic Commercial Partners (SCP)
  - Design and Construction Partners (D&C)

# THE LIVING WATER ENTERPRISE

## WHO IS PART OF THE LIVING WATER ENTERPRISE?

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### 13 organisations:

NWG as the Client 'host' organisation

#### Commercial Partners

- Turner & Townsend
- Long O'Donnell
- Aqua Consultants

#### Technical Partners

- Stantec
- Jacobs

#### Design & Construction Partners

- Avoe
- BAM Nuttall
- Costain
- Esh-Stantec
- Farrans
- MWH Treatment
- MMB

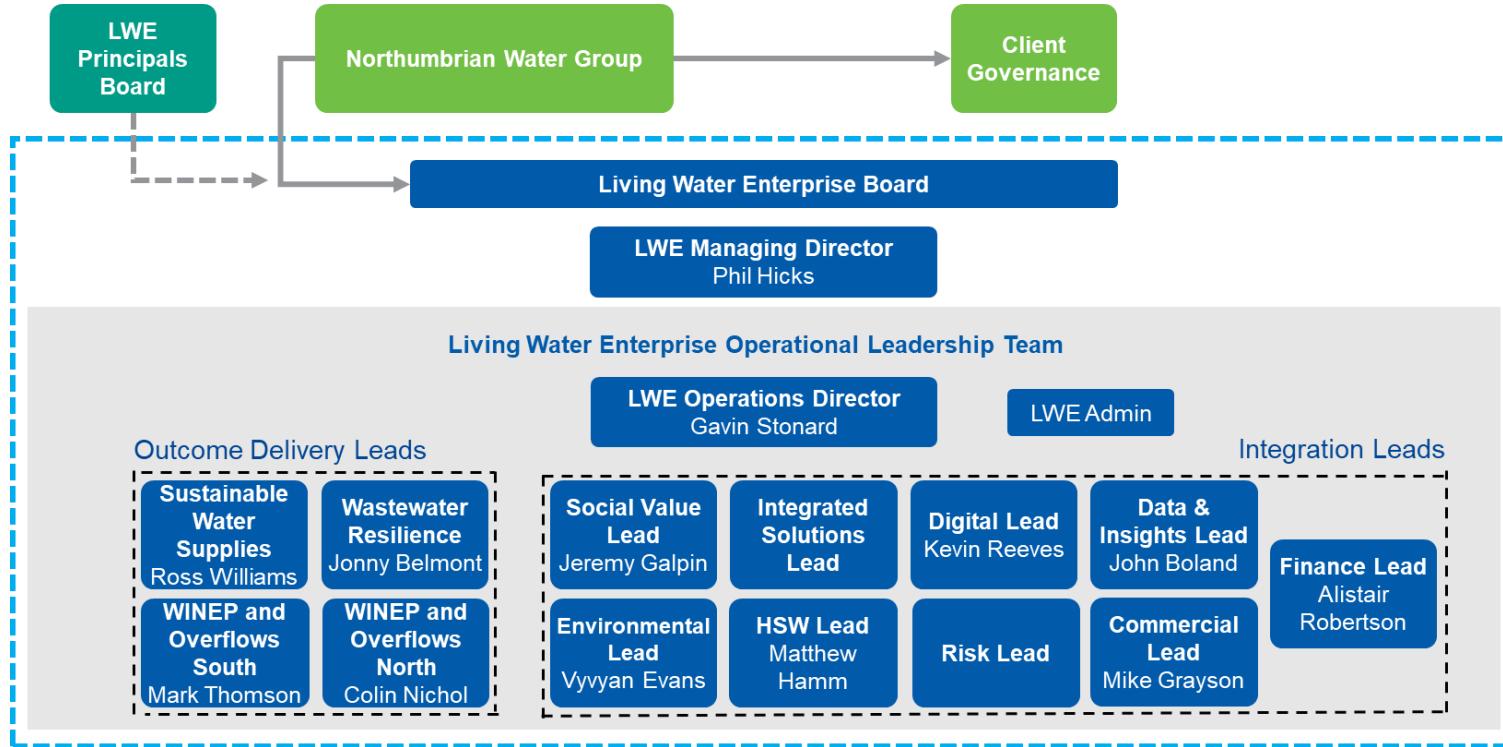
# THE LIVING WATER ENTERPRISE

## WHAT IS THE LWE PROGRAMME?

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Programme Outcome	What the programme contains	Value (approx.)
<b>Sustainable Water supplies</b>	Essex & Suffolk water resource management plan 2x PAC Warkworth and Broken Scar Inter-regional transfer scheme	£400M
<b>Wastewater resilience</b>	Climate change resilience: <ul style="list-style-type: none"><li>- Flooding</li><li>- Power and process</li><li>- Asset health</li><li>- Security</li></ul> Growth & New supplies	£350M
<b>Restoring and Enhancing the local Environment</b>	WINEP Programme <ul style="list-style-type: none"><li>- Storm Overflows</li><li>- Nutrient removal / balancing</li></ul>	£1,000M

# THE LIVING WATER ENTERPRISE OPERATIONAL LEADERSHIP TEAM



# OPEX PROCUREMENT

Laura McMain  
Procurement Manager Sourcing

## OPERATIONAL PROCUREMENT – SOURCING TEAM

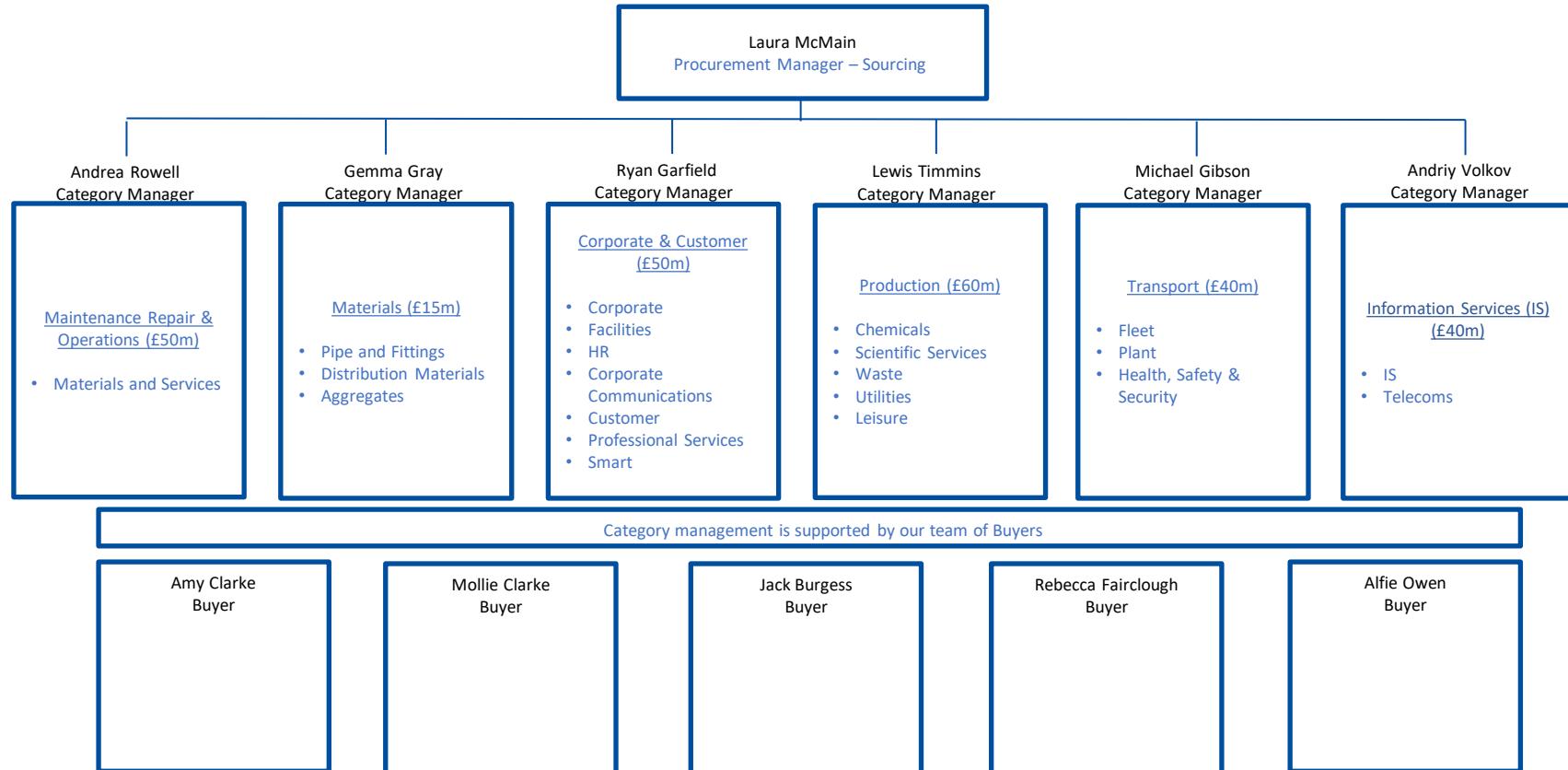
### WHO ARE WE?

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- Team of 12 covering a spend of circa £250 million
- Utilising category management model with a focus on world class, compliant tendering
- Ensuring we stay informed about market development's and supplier innovation
- Introduced more robust contract and supplier relationship management
- Active collaboration with other water companies (NCSG\* and joint sourcing)
- Procurement activity for Smart metering Programme started in early 2023
- Key Focus on savings. In 2024 we achieved £7m efficiencies
- Ultimate aim of becoming a Trusted business commercial partner, bringing positive challenge, innovative solutions and tangible value

# SOURCING TEAM STRUCTURE

## CATEGORIES OF SPEND WE COVER



# WHAT DOES PROCUREMENT LOOK LIKE AT NORTHUMBRIAN WATER



We apply a strategic category management approach to procurement at Northumbrian Water which follows a sourcing lifecycle, with the typical critical gateways outlined below.



## CATEGORY MANAGEMENT

## SPEND - THRESHOLDS

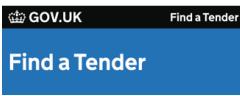


Our procurement processes follow the '**The Procurement Act 2023**' which have total cost of ownership spend thresholds built into the regulations. This means for certain values, we are obligated (by law) to tender to the open marketplace or via the UVDB, which is the utility industry vendor database managed by Achilles.



### Procurement Act 2023

Threshold	Requirement
Up to £5,000	Minimum Single Quotation (Ad hoc Requirements)
£5,000 - £49,999	Minimum Three Quotes (Ad hoc Requirements)
£50,000 - £358,173	ARIBA Tender Process (Major Spend)
£358,174 +	Achilles UVDB/Find a Tender Process (Major Spend)
<b>Threshold for Works Contracts: - £4,477,174</b>	

- **SAP Ariba**  Invitation to our tender portal to pre-selected vendors;
- **UVDB**  Powered by Achilles Opportunities open to suppliers registered with UVDB against applicable commodity codes
- **Find a Tender**  Opportunities available to the open marketplace.

# OPERATIONAL PROCUREMENT – SOURCING TEAM TENDERING REPORT

# **RESPONSIBLE PROCUREMENT UPDATE**

# RESPONSIBLE PROCUREMENT

## WHERE ARE WE

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### Responsible Procurement Strategy:

- Aligning NWL goals with Sustainable Development Goals (SDGs)
- Impact Initiative 7
- Continuous improvement – undertake key activities around themes within the supply chain



<https://www.nwg.co.uk/responsibility/supply-chain/responsible-procurement/>

# RESPONSIBLE PROCUREMENT 2024 END OF YEAR SUMMARY

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## CASE STUDY: INNOVATION

Innovation Connect Challenge:  
sparking global collaboration  
and creativity by NWG

### WHERE?

NWG Innovation Festival, Newcastle

### WHEN?

July 2024

# RESPONSIBLE PROCUREMENT

## MEASURING SOCIAL VALUE

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### Including Social Value in NWL tenders:



THEY CAN HELP US  
MEET NWL VALUES.



TO GAIN ADDED  
VALUE FROM THE  
CONTRACTS WE HAVE



TO HELP DRIVE THE  
RESPONSIBLE  
PROCUREMENT  
STRATEGY



1. Jobs – promote local skills and employment
2. Growth – supporting growth of responsible regional business
3. Social – healthier, safer and more resilient communities
4. Environment – decarbonising and safeguarding our world
5. Innovation – promoting social innovation

## **RESPONSIBLE PROCUREMENT SOCIAL VALUE IN THE LWE**

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- Dedicated social value resource assigned to the LWE
- Output focussed strategy
- Outputs based on local needs analysis of our operating areas
- Key initiatives
  - Improving local economies
  - Community Wellbeing and resilience
  - Employability & skills shortage
  - STEM / education
- Governance model to drive delivery and record outputs

# INNOVATION UPDATE

# Innovation at NWG

OUR  
ETHOS



**Purpose:** Be a beacon to inspire, support, facilitate and create organisational value through leading in innovation in the UK water industry and beyond.

**Definition:** Innovation at NWG is to be the first to try a new product, process, service or idea in the UK water sector.



# Collaboration with NWG

- **Understand Our Priorities** – Align your solution with business challenges (e.g., sustainability, efficiency, resilience), read our Business Plan & Environment Strategy, and the Sector 2025 Strategy ☺.
- **Keep It Clear & Impactful** – Make your proposition simple, results-driven, and easy to understand.
- **Engage with Innovation Platforms** – Join initiatives like NWG's **Innovation Festival** & explore funding opportunities (e.g., Ofwat Innovation Fund). [Innovation Connect Newsletter](#).
- **Be Ready to Scale** – Ensure your solution can grow and meet compliance & regulatory standards.
- **Build Relationships & Trust** – Network with key decision-makers, be open to co-development.
- **Be Persistent but Patient** – Procurement & trials take time - stay adaptable and engaged.
- **Show Your Unique Value** – Highlight agility, innovation! Case studies to stand out.





**SAVE THE DATE**

for Northumbrian Water's Innovation Festival 2025!

**W/C 7<sup>TH</sup> JULY 2025**

# OFWAT FUNDING

The Innovation Festival is a hot bed for brilliant Ofwat Innovation Fund ideas.

Northumbrian Water Group (NWG) has submitted **16 winners** within the Ofwat Water Breakthrough Challenge. We are also taking part in **11 further Ofwat funded projects**, led by other water companies, as a supporting partner

After four rounds of the Water Breakthrough Challenge, NWG has won funding amounting to a total of **£29,107,302**, with **8 Catalyst projects** amounting to **£10,068,208** and **4 Transform projects** amounting to **£19,039,094**.

**16 winners**  
within the Ofwat Water Breakthrough Challenge



Supporting other water companies in  
**11 projects**



**£29,107,302**

**11 Catalyst  
projects**



**£10,068,208**

**5 Transform  
projects**

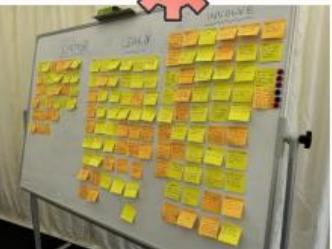


**£19,039,094**

# WHAT TO EXPECT...

We have something for everyone!

Whether you're introverted or extroverted the festival caters to all involved.

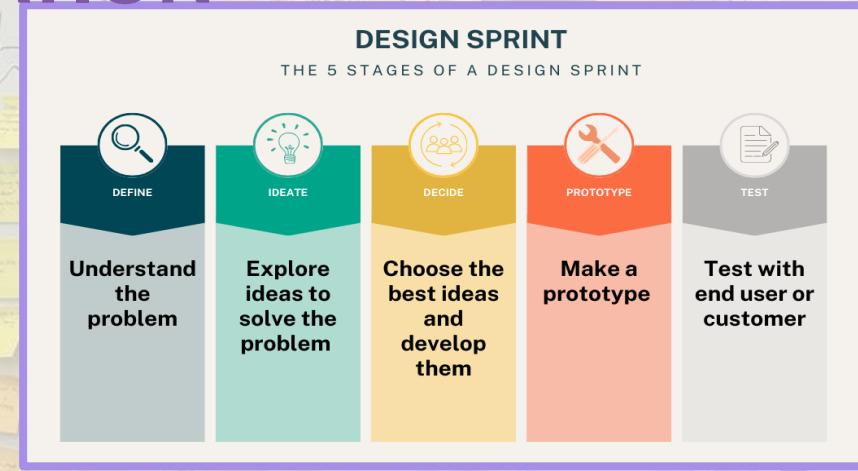


# COLLABORATIVE INNOVATION

The Innovation Festival is truly one of a kind.

We invite diverse groups to collaborate and take part in Design Sprints over 3.5 days to tackle the biggest challenges facing our industry and generate innovative ideas.

As a partner, you have the opportunity to lead a Sprint at the festival to solve a key challenge.



WHAT TO EXPECT



# REGENERATION

## FLOWING BEYOND



The theme for Northumbrian Water's Innovation Festival 2025 is **REGENERATION**

The regeneration theme is about the **positive process of renewal, restoration, and growth** that brings resilience to natural fluctuations or events that cause disturbance or damage.

All aspects of the festival will bring this theme to life, **driven by purpose** and intention of being **net positive on energy**, waste and carbon footprint.



# THANK YOU