



## **INDICATIVE CHARGES BOARD ASSURANCE STATEMENT 2026/27 (South West Water inc Bournemouth and Bristol)**

This Board Assurance Statement is provided in relation to the setting of indicative wholesale charges for the 2026/27 charging year for South West Water (including Bournemouth Water and Bristol Water regions).

It outlines the governance, assurance, and compliance processes undertaken to ensure that the charges have been developed in accordance with all relevant legal and regulatory requirements.

### **Our approach to assurance**

The South West Water Board (SWW Board) act as the main governing body for the purpose of oversight for the companies' regulated businesses. Our approach to governance is an integral part of our culture, guiding how we do business and create value for our stakeholders.

We publish information which ensures we not only meet our statutory, licence and regulatory obligations but also provide information to customers on the Company's activities, how the Company is performing and most importantly, how customers can get help when they need it.

Underpinning the information, we publish our robust risk and assurance processes. These processes have been embedded into the management of the Company and are designed to ensure risks are promptly identified, updated on a regular basis, and appropriate mitigation is in place to suit the level of risk.

We have a mature integrated risk management framework which is fully embedded into our governance structures and embodies our values of being 'trusted' and 'responsible' in the way we carry out our business. Details of this integrated assurance approach is published each year in our assurance plan.

Our integrated assurance approach includes our three lines of defence:

- Management - review, quality control and sign off
- Policy setting and compliance checking – adequate policies, internal audit, and business management systems
- External scrutiny – external audit and other assurance providers

Our risk and assurance framework remains largely unchanged from our previous review in respect of charges and the methodology for identification and mitigation of risk remains fit for purpose at individual business unit and corporate levels.

### **Assurance activities in respect of Wholesale tariffs & charges**

Assurance activities in respect of Wholesale tariffs & charges follow our integrated assurance approach with three lines of defence.

The calculation of the tariffs and charges within this structure, which comply with the constraints in place utilises a model developed by an external specialist.

Internally there is a robust process of review and sign off for all variable inputs into the model and for forecasts and judgements used.

Our external assurance provider performed a set of procedures mutually agreed between South West Water and the provider, reflective of risks which may result in tariffs and charges not meeting the constraints discussed above. These focused on:

- identifying whether inputs to the tariff models agree to underlying sources
- replicating key calculations to ensure the model is operating correctly
- checking that the tariffs and charges comply with key constraints and charging rules
- checking that the revenues and margins from the model outputs are in line with the approved business plan.



The external assurance provider's procedures are agreed-upon procedures and reported to the Board and will confirm that there were 'no issues identified that would present concerns that would represent material risk of the tariffs being non-compliant'.

#### **Assurance activities in setting Wholesale charges for 2026/27**

The charges as presented have been developed using the extent of known information, to be compliant with SWW's legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules.

The governance and assurance processes applied to the development of these charges are summarised below.

##### Compliance with Legal Obligations

- Charges have been prepared in accordance with the Water Industry Act 1991 and the Wholesale Charging Rules issued by Ofwat.
- The group has robust processes in place to annually review policies which are contained within the Charges Schedules. For 2026/27, no changes to these policies are planned
- A comprehensive review of legal obligations has been undertaken by management, confirming compliance with each relevant obligation.

##### Bill Movements and mitigation

- External consultants were engaged to assist with the analysis and evaluation of the charge structures
- Following the PR24 Final Determination revenue adjustments (BW and SWW +4.2%, BRL +4.2%) and CPIH (currently 4%), most customers will experience bill increases exceeding 5%. Indicative charges include estimated blind year adjustments and will be updated for the final Ofwat decisions in the January charge publications.
- Our existing suite of domestic support measures will continue to be proactively applied to ensure affordability and prevent water poverty in our region.
- For non-household customers, we will maintain close collaboration with Retailers to promote water efficiency and support commercial customers.
- The Progressive Charge tariff trials implemented in 2024/25 charges are ongoing and being analysed and reviewed to identify key findings for implementation in future tariff setting.

##### Appropriate systems and processes

- The Group has in place a well-established and effective set of policies and processes covered by our robust Quality Management System. Policies and procedures relating to the development of tariffs and charges are regularly updated, and charges have been developed in accordance with the company's quality assurance processes.
- A structured process of internal review and formal sign-off is in place, involving appropriately qualified and authorised staff to ensure accountability and rigour in the development of charges.
- Independent external assurance is commissioned to assess the robustness of our tariff-setting processes and to identify any potential deficiencies or areas for improvement.
- The separate price controls applying to Bristol Water and Sutton and East Surrey have separate tariff calculations. Calculations, modelling and assurance have been integrated with South West Water ensuring consistency of approach and governance across all regions.

##### Engagement with Stakeholders

- At appropriate stages in the development of tariffs and charges, SWW engages with the Consumer Council for Water (CCWater) and other stakeholders. As a part of its engagement with CCWater, SWW discusses its approach to the development of its charges, bill incidence effects and charges policies with its local CCWater representatives.



- Our independent Customer Challenge Panels have been consulted on the development of tariffs and charges.
- Regular meetings with Retailers have been held to discuss indicative and final charges, with full transparency of charging documents and open channels for queries.
- Where significant changes to primary wholesale charges are proposed, a Statement of Significant Changes is published alongside the final charges to inform stakeholders.

#### Board Approval

- The Group has a Tariff Steering Group which is attended by a subset of the Executive Management Team and Senior Managers, it discusses relevant policies, strategies and governance approach.
- As well as internal assurance, external technical assurance is secured on both inputs into the tariff model and the tariff model itself, providing the Board confidence the tariff model is fit for purpose. The reports from the independent third parties are available to the Board and confirm there are no material issues.
- The Board has formally reviewed the tariff proposals and the associated assurance processes, enabling it to confidently issue this assurance statement.

#### **Board Assurance Statement**

The SWW Board has overseen the development of both South West Water (SWW), Bournemouth Water (BW) and Bristol Water (BRL) indicative wholesale charges for 2026/27.

SWW Board considers the process that SWW has gone through in setting the 2026/27 indicative wholesale tariffs for SWW, BRL and BW is sufficient to ensure that in all material aspects the indicative wholesale charges comply with the relevant legal and statutory obligations and have been developed in accordance with Ofwat's Wholesale Charging Rules.

Due to the strong governance and assurance processes applied during the development of the indicative wholesale charges, SWW Board can confirm:

- it has satisfied itself that appropriate systems and processes are in place to ensure that the charges are accurate.

To the extent that uncertainty will remain around the consumption, future inflation, the cost of living and the wider economy, indicative charges have been developed using best endeavours and known information, SWW Board has carefully considered whether:

- the published indicative wholesale charges comply with all legal obligations in relation to wholesale charges; and
- it has assessed the effects of the new charges on water supply and sewerage licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) and approves the impact assessments and handling strategies developed in instances where bill increases for licensees (as a whole or in groups) who are retailing wholesale services and on customers occupying Eligible Premises (as a whole or in groups) exceed 5%; and
- the Company has consulted with relevant stakeholders in a timely and effective manner on its Wholesale Charges; and
- where indicative wholesale charges are significantly different from the prior year wholesale charges, the Board has considered the reasons why those changes occurred and has issued a statement explaining those changes.



Due to the PR24 Final Determination revenue movements and CPIH (currently 4%), most customers will see an increase >5%. Our existing suite of domestic support options will continue to be proactively applied to ensure all customers are supported and water poverty is not an issue in the region. For Non-household customers we will continue to work with Retailers to support commercial customers with water efficiency initiatives.

|          |                                                                                   |                                                                                   |                                                                                   |                                                                                   |                                                                                   |                                                                                   |                                                                                     |                                                                                     |                                                                                     |
|----------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| Name     | David Sproul                                                                      | Iain Evans<br>CBE                                                                 | Andrea<br>Blance                                                                  | Jon<br>Butterworth<br>MBE                                                         | Dorothy<br>Burwell                                                                | Loraine<br>Woodhouse                                                              | Susan Davy                                                                          | Laura<br>Flowerdew                                                                  | Andrew<br>Garard                                                                    |
| Position | Chair                                                                             | Independent Non-Executive Directors                                               |                                                                                   |                                                                                   |                                                                                   |                                                                                   | Chief<br>Executive<br>Officer                                                       | Chief<br>Financial<br>Officer                                                       | Group<br>General<br>Counsel and<br>Company<br>Secretary                             |
| Signed   |  |  |  |  |  |  |  |  |  |