



Ballyronan wastewater treatment works, County Derry/Londonderry

Strategic areas of focus

Funding world class economic infrastructure

Efficient and affordable services

Sustainable growth

Sustainable development goals



Principal threats/opportunities



Page 76 Read more about principal threats and opportunities.

Strategic performance indicators

Economy	Unit of measurement	Target 2024/25	Actual 2024/25	Pass/Fail	Target 2025/26
Increase/(decrease) in customer tariffs*	%	5.3	4.7	Pass	3.6
Number of economic constraint areas eased (cumulative over 2021-27 period)	Number	3	0	Fail	4
Number of serious development restrictions eased (cumulative over 2021-27 period)	Number	14	11	Fail	22
Bathing water quality**	Excellent	Majority excellent or good ***	22	Pass	Majority excellent or good ***
	Good		2		
	Sufficient		2		
	Poor		0		

* Non-domestic customers only.

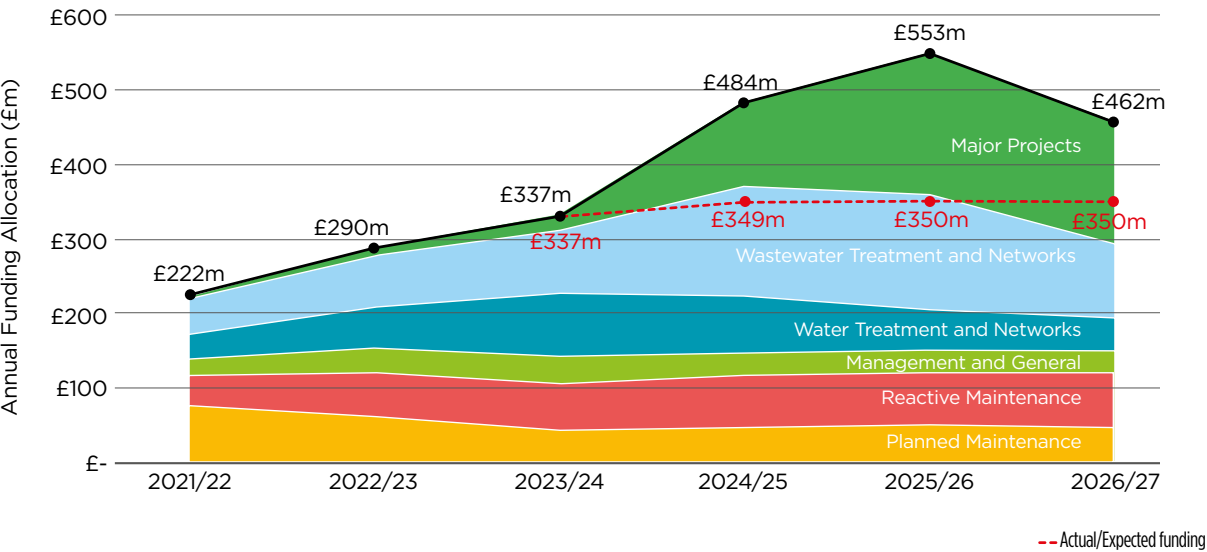
** Bathing water at 26 sites is monitored weekly from May to September each year.

*** Other major contributors to bathing water quality include agriculture, wider industry, and consumer behaviour (flushing inappropriate items).

Funding world class economic infrastructure

Largely unseen, our infrastructure is the foundation for all economic activity in Northern Ireland as almost every new home and business requires a connection to the public water and sewerage system. We share the government’s ambition for Northern Ireland to have the infrastructure that enables everyone to lead a healthy, productive, and

fulfilling life; supports sustainable economic development; and protects our environment. But this ambition can only be realised if we can secure multi-year funding in line with that determined by the independent Utility Regulator, supported by a mechanism to deal with financial shocks.



Funding Gap to PC21 Mid-Term Review (reindexed Mar-25 OBR RPI forecast).

Unlocking development constraints

The level of public expenditure allocated by Government for wastewater services has not kept pace with the growing demand for capacity to support development or meet water quality targets. As a result, many of Northern Ireland’s sewerage networks and wastewater treatment works are operating at or beyond their design limits, restricting new connections and constraining economic growth in over 100 towns and cities, including Belfast and Derry/Londonderry.

Our PC21 Business Plan outlines the scale of investment required to begin addressing these capacity issues. However, resolving development constraints across the region will require a sustained increase in investment over the next 18 years or more.

Following confirmation of the 2024/25 capital investment budget from DfI, NI Water was required to adjust developer processes in areas affected by high-polluting Unsatisfactory Intermittent Discharges - locations where developer-funded solutions are not viable. These Unsatisfactory Intermittent Discharges impact 35 areas across 21 towns, all of which

require significant capital investment before new connections can be made. As a result, approximately 19,000 development enquiries are currently unable to connect to the public sewerage system. A fully funded PC21 would enable around 4,500 to be connected.

Throughout the year, NI Water has engaged extensively with stakeholders, government agencies, and developers to communicate the implications of funding constraints on new development. These are adversely impacting on our targets to ease economic constraint areas and development restrictions. Ongoing engagement with customers is now focused on areas where connections remain feasible, ensuring transparency and support for future planning.

NI Water continued its proactive engagement with local councils and key stakeholders to address wastewater capacity constraints across Northern Ireland. As part of this effort, we updated wastewater system capacity data for all council areas and worked closely with local development planning teams to ensure alignment with future growth and infrastructure needs.

To support more informed decision-making, we are advancing the development of decision support tools, including Esri ArcGIS and Power BI dashboards. These tools are designed to help prioritise and target investment where capacity issues are most critical.

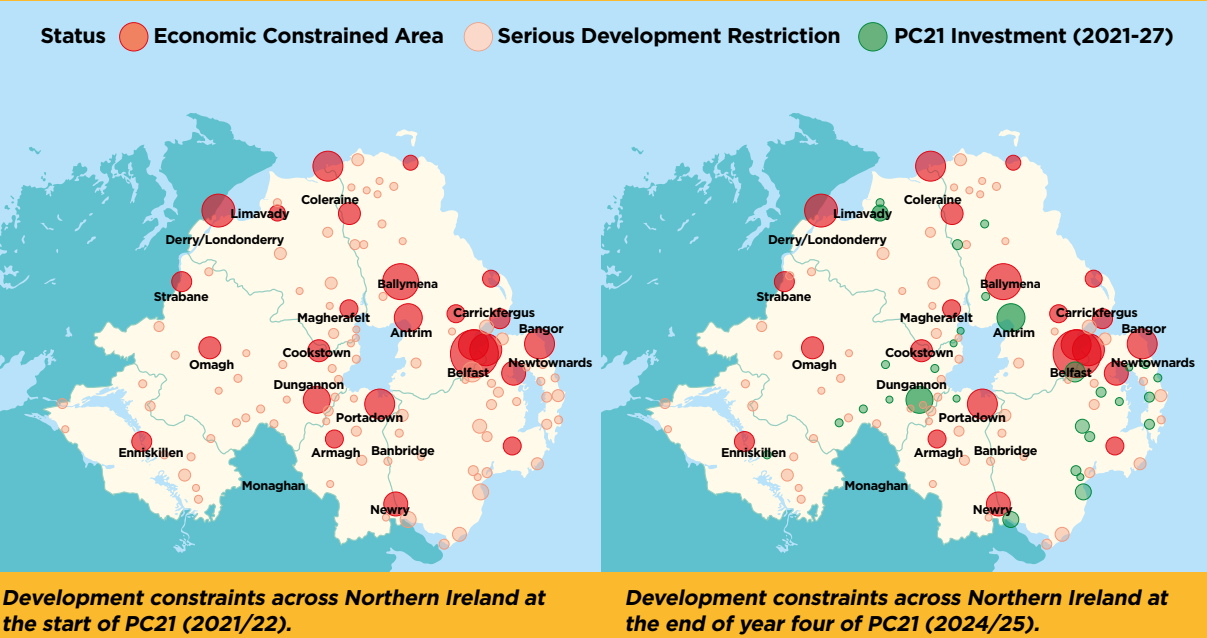
A key strategic initiative has been the restructuring of our pre-planning process, aimed at identifying and mitigating potential site restrictions early in the development cycle. This approach is helping to facilitate timely and efficient connections to the wastewater network, supporting sustainable development across the region.

We are actively identifying and trialling innovative wastewater technologies while optimising existing wastewater processes. These efforts may unlock some economic growth in the catchments served by wastewater treatment works across Northern Ireland, which are currently operating at or near their capacity. We will conduct technology pilot trials at wastewater

treatment works which are currently constrained as well as trialling new innovative approaches at wastewater assets, in our networks and a test bed.

In parallel, we are developing more holistic capital interventions in drainage areas where potential developer delivered solutions are not possible, with several catchments being used as Pilot Projects. Progression and delivery of these schemes will be dependent on the availability of capital investment funding.

Looking ahead to 2025/26, we are committed to participating in the Local Development Plan Independent Examination process for the remaining NI Councils. We are also working with Councils who have approved Plan Strategies following the process and are at the Local Policies Plan stage. This involves discussions on the zoning of land such as for strategic employment and holding discussions on the phasing of development to facilitate sustainable growth.



Sustainable Water Connect Event

NI Water in partnership with Invest Northern Ireland hosted a Supplier Engagement Event in Belfast. The event saw participation from over 350 representatives spanning local, national, and international businesses, who gathered to connect with NI Water buyers and key suppliers.

Attendees had the chance to engage in one-to-one appointments with leading industry experts, participate in inspiring workshops, and gain valuable insights on topics such as innovation, social value, and AI. The event also offered numerous networking opportunities and training workshops, while providing essential knowledge on procurement processes and public procurement law.

We are planning to undertake pilot projects in the remainder of PC21 to examine the

use of a multi-capitals approach to support decision making and delivery of economically sustainable solutions, which incorporate the social and environmental costs and benefits not presently captured in market prices.



NI Water and Invest NI representatives at the Sustainable Water Connect event.

Efficient and affordable service

PC21 funding

NI Water continues to face a significant gap between the PC21 output targets set by the Utility Regulator and the Capital DEL funding indicated by DfI for the remainder of the PC21 period. In its PC21 Mid-Term Review Final Determination, published in September 2024, the Utility Regulator made only limited changes to the original targets and estimated that £1,465m in Capital DEL - an average of £488m per year - would be required from 2024/25 to 2026/27 to deliver planned outputs. In contrast, NI Water received £349m in Capital DEL for 2024/25, with DfI proposing £350m for 2025/26. To address this funding gap, stakeholders convened throughout 2024/25 to develop a Capital Reasoned Submission aimed at adjusting PC21 outputs; however, no agreement was reached after four meetings.

NI Water's Operating Plan and Budget for 2025/26 - the fifth year of PC21 - sets out a requirement of £172m in Resource DEL and £405m in Capital DEL, reflecting the Mid-Term Review and accounting for slippage in 2024/25. On 27 February 2025, the DfI Minister advised indicative allocations of £149.2m in Resource DEL, increasing to

£150.2m on 4 June 2025, and £350m in Capital DEL, leaving shortfalls of £22m and £55m, respectively.

The tension between regulatory output expectations and constrained public funding creates material uncertainty and conflicting obligations for NI Water. Failure to deliver the PC21 programme could result in enforcement action from the Utility Regulator, including potential licence revocation or legal challenge. Conversely, overspending to meet targets would breach Accounting Officer responsibilities concerning budgetary control and the proper use of public funds.

These risks materialised during 2024/25. On 20 December 2024, the Utility Regulator issued a Notice of Initial Enquiry into NI Water's compliance with certain obligations, followed by a formal Article 261 Notice on 27 March 2025. NI Water submitted the requested information on 22 May 2025 and awaits further engagement. Separately, on 6 February 2025, the Utility Regulator raised concerns regarding the 'Directors' certificate of going concern' in NI Water's 2023/24 Regulatory Accounts, with additional information submitted on 6 March 2025.

In March 2025, NI Water advised DfI that maintaining essential services could result in a potential overspend on its 2024/25 Resource DEL budget. The DfI Minister allocated additional budget and appointed a forensic accountant to review NI Water's financial practices investigate the reasons why NI Water has been unable to live within its Resource DEL budget allocation.

DfI and the Utility Regulator have statutory duties under Article 6 of the Water and Sewerage Services (NI) Order 2006 to ensure that NI Water can finance the proper carrying out of its functions. We welcome continued efforts to identify a sustainable solution for funding Northern Ireland's water and wastewater infrastructure. The DfI Minister is actively working with Executive colleagues to increase investment, including the launch of a public consultation in March 2025 to explore developer contributions and the introduction of The Water, Sustainable Drainage and Flood Risk Management Bill to facilitate future guidance on Sustainable Drainage Systems. In April 2025, the DfI Infrastructure Committee reviewed the NI Audit Office's report on infrastructure funding, which identified significant

weaknesses in existing arrangements, forecasted worsening conditions, and called for an independent, expert-led review of alternative funding and governance models. The NI Fiscal Council's Sustainability Report on Water was published in June 2025 and highlights a growing crisis in the provision of water and sewerage services in Northern Ireland. The NI Fiscal Council states that without greater and sustained investment, NI Water risks falling further behind its peers in service quality and environmental standards. This underinvestment is also constraining economic development, particularly in areas requiring commercial and residential growth. The NI Fiscal Council considers that resolving these issues will require new sources of funding. Decisions on the funding model are a matter for Government Ministers.

Amid this ongoing and unprecedented funding uncertainty, securing a multi-year government commitment to fully fund the PC21 programme remains the highest priority. Such a commitment is essential to safeguard service delivery, support the wider supply chain, protect the environment, and contribute to Northern Ireland's economic prosperity.

Wider developments in the water sector

We continue to monitor developments across the UK and Ireland to inform our strategy, planning, and risk management. Ofwat's PR24 Final Determinations, published in December 2024, outline a record £104 billion investment package for 2025-30 - double the previous period - aimed at driving improved services, environmental outcomes, and resilience. However, several companies have appealed to the Competition and Markets Authority, citing concerns over funding adequacy and performance deliverability. These appeals come amid increasing scrutiny of financial resilience, ongoing environmental investigations, and rising pressure for stronger governance and transparency in the sector.

Regulatory reviews have reinforced these concerns. The National Audit Office's April 2025 report criticised the regulatory framework in England and

Wales for failing to incentivise sufficient infrastructure investment, contributing to underperformance and environmental degradation. The ongoing Independent Water Commission review, commissioned by Defra, set out its preliminary conclusions in June 2025 on reforms to the water system in England and Wales. The final report is expected in the summer.

Elsewhere, Scottish Water launched a consultation in February 2025 projecting annual investment needs of £2bn through 2050 - a fivefold increase on current levels. In Ireland, Uisce Éireann's Strategic Funding Plan (2025-29), published in December 2024, outlines a near threefold increase in funding to €16.9bn compared to 2020-24.

 Find out more about our funding at page 52.

Major Professional Services Framework provides a £800m boost to the local economy

After a successful, year-long public procurement competition, NI Water awarded a Professional Services Framework, valued up to £800m, which will support the planning and delivery of its capital investment programme, including the sustainable delivery of key water and wastewater infrastructure projects across Northern Ireland. The framework will run for an initial four-year term, with options to extend to 2032 and the spend can flex up and down, depending on the capital investment budget available for that period.

A wide range of professional services will be provided by local companies appointed to the framework, including project management, network modelling, digital innovation and plans to strengthen climate resilience, while reducing carbon emissions and improving the overall efficiency of capital delivery.



NI Water's Director of Infrastructure Delivery, Director of Engineering and Sustainability with staff at the announcement of the Professional Services Framework.

Customer tariffs

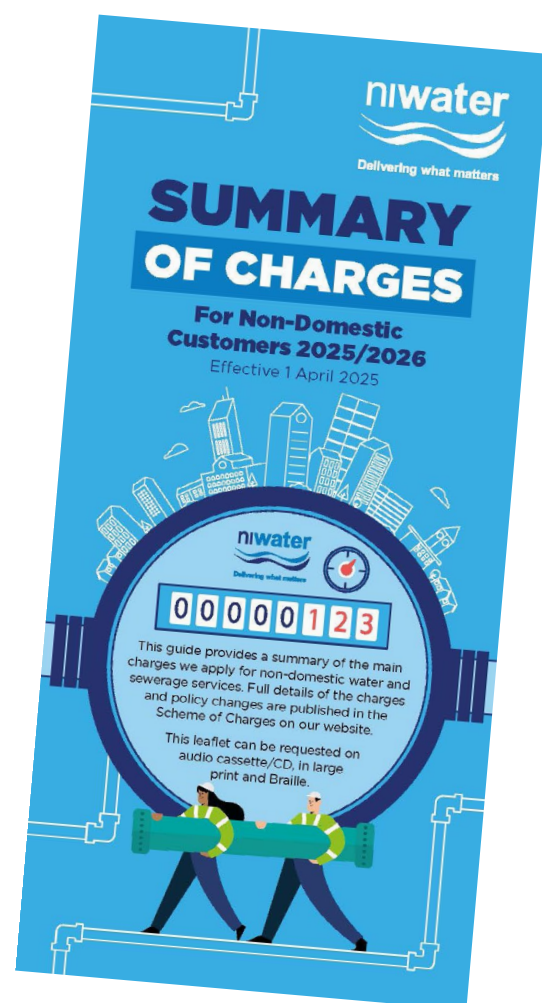
We are aware this is a challenging time for businesses and the local economy. Like many of our business customers, we continue to face significant financial pressures from continued high energy prices and other cost increases.

Whilst any increase is of course unwelcome, the revenue from bills will support necessary investment in infrastructure, benefiting the local economy and environment. Specific bill changes operate according to a formula agreed with the Utility Regulator.

From 1 April 2025, non-domestic water and sewerage charges increased by 7.7% on average. Measured customer bills increased by 7.0% on average, while unmeasured and trade effluent bills increased by 8.6% and 9.6% respectively.



Find out more at <https://www.niwater.com/media/f5ziewub/niwschemeofcharges202526.pdf>



Sustainable growth

Every aspect of life in Northern Ireland relies on the water and wastewater services we provide, so it is important that any investment we make in our infrastructure is built with the future in mind. To improve our long-term resilience, we need to ensure our infrastructure can withstand pressures created by climate change; can accommodate growth in the economy and helps protect and restore nature. We believe that our future infrastructure investment can support not only the transition to a more sustainable and resilient business but also help create an affordable, low carbon and green economy for Northern Ireland.

Advances in our investment management processes are helping us ensure we deliver our services for the lowest possible cost. These processes are also helping us choose more integrated sustainable solutions to address climate change. Our Investment Planning and Costing tool allows estimates of standardised costs and recommend lowest whole life cost solutions to be calculated for PC21 projects. We are expanding our carbon accounting to capture whole life carbon and land carbon. Pilot projects are being undertaken over the remainder of PC21 to examine the use of a multi-capitals approach to support our decision making. This approach incorporates the social and environmental costs and benefits not presently captured in market prices.

We are working closely with NIEA on the review of consenting method and source apportionment techniques, which will contribute towards ensuring discharge standards at our wastewater treatment works are proportionate, whilst delivering on the best environmental outcome for the investment delivered by NI Water. We have an established Water Regulatory Investment Group, which provides a forum with NIEA to facilitate negotiation of discharge standards, enabling open and transparent decision making, supported by appropriate scientific evidence.

Reducing Energy Usage

As part of the Energy Reduce Use Programme, we are undertaking several innovative initiatives to reduce our electricity consumption and carbon emissions. We've optimised the efficiency of our pumps across 16 sites, delivered energy efficient LED lighting, implemented real-time

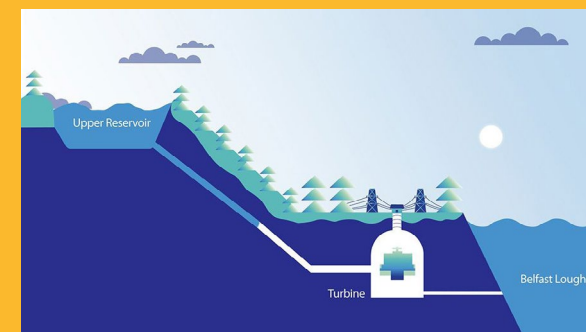
control technology and reduced the energy requirement of odour control fans at several of our wastewater treatment works.

The pump optimisation represents an investment of £7.3m, delivering 5.7m kilowatt hours of annual benefits. With every best-in-class energy efficient pump that we install, we are reducing the energy required to deliver water to our customers. This contributes to our sustainability goals, whilst resilience and customer supplies are protected into the future.



Pump replacement work at Whiteabbey water pumping station, County Antrim.

Looking ahead, we're exploring hydro turbine opportunities across three sites facilitated, by the Department for the Economy's 'Invest to Save' Scheme. The hydro turbines will enable NI Water to generate electricity at these sites to reduce grid consumption and/or export electricity to the grid to generate an income for the business and add further resilience to the energy network.



Hydro turbine illustration.



Find out more in our TCFD section on page 105.