
**GUIDELINE FOR THE ANALYSIS
OF OPERATING COSTS
AND ASSETS**

**REGULATORY
ACCOUNTING
GUIDELINE 4.03**

**Operative:
Financial Year 2006-07**



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Part One – Explanatory note

1.1 Introduction

- 1.1.1 This Regulatory accounting guideline covers the form, content and principles of the analysis of operating costs to be produced as part of the current cost accounts in the water industry. It also defines the analysis of assets required for the calculation of total costs.
- 1.1.2 This explanatory note describes the objectives of the analysis, and outlines the approach adopted. Part 2 defines terms used in the guideline. Part 3 - the guideline itself - describes activity and subjective categories, defines the required analysis of assets, and specifies the policy to be adopted with respect to allocations and apportionments. Appendix 1 comprises pro-formas; Appendix 2 worked examples.
- 1.1.3 A more complete detailing of the items to be included under each heading is provided in Appendix 3.

1.2 Objectives

- 1.2.1 The analysis of operating costs and fixed assets detailed in this document is designed to facilitate:
- the comparison of both the total costs and the operating costs incurred in fulfilling the functions of water companies and water & sewerage companies; and
 - the explanation of cost variations, and trends in information reported.
- 1.2.2 The first objective requires the specification of a procedure to ensure that operating costs and total costs are calculated consistently, the second a disaggregation that permits an exploration of the relationship of the cost components to companies' operating environments.

1.3 Format

- 1.3.1 The analysis will form part of the current cost regulatory accounts submitted to Ofwat under Condition F of the Licence.
- 1.3.2 The basic format of the analysis is of a subjective disaggregation of the operating costs directly incurred under a range of activities, together with an associated analysis of tangible fixed assets. The definitions of the cost components are different from those originally specified in the Licence. The formats for both water and sewerage and water only companies are illustrated in Appendix 1.
- 1.3.3 Each of the activities identified as a column represents a primary "function" or activity performed by the company. The direct operating costs of General and Support Activities are allocated to these functions.

- 1.3.4 The structure of the analysis is designed to facilitate comparisons both including and excluding certain elements. The totals excluding capital-related items are termed "functional expenditures"; when these items are included, the totals are termed "functional costs". Certain subjective elements (rates, bad and doubtful debts, exceptional items and the write-off of intangible assets) are included only at the service level. (Note that the totals brought down in order to calculate service costs comprise the sum of the functional costs for the service activities plus the relevant portions of the functional expenditures for the individually identified business activities.)
- 1.3.5 The format is more fully demonstrated by the pro formas in Appendix 1. (Separate pro formas are provided for water only companies and for water and sewerage companies.)
- 1.3.6 It would be helpful if all companies were to exercise the option to analyse fully the costs of transactions with associated companies, even where the extent of such transactions falls below the 20% threshold established in RAG 3.05.

1.4 Licence authority

- 1.4.1 Condition F, paragraph 5, sets out the analysis of operating costs which Appointees are required to provide. This guideline will replace those requirements.

Part Two – Definition of terms

Services

Water supply and sewerage services.

Service activities

The individually identified activities which must be pursued separately in order to provide water and sewerage services, namely Water Resources & Treatment, Water Distribution, Sewerage, Sewage Treatment, and Sludge Treatment & Disposal.

Business activities

The activities which can be pursued collectively in order to provide water and sewerage services. The individually identified business activities are Customer Services, Scientific Services and the Cost of Regulation. General and Support Activities are identified collectively as a group.

Direct costs

The costs directly attributable to each of the individually identified service and business activities and to General and Support Activities as a group. Such costs should include apportionments, where such apportionments are necessitated by operational considerations (for example where mobile gangs are used to operate both sewerage and water facilities, or where small sewage treatment works are not separately costed for sewage and sludge treatment).

Functional expenditure

The direct costs incurred in the provision of each of the individually identified service and business activities, plus in each case an allocation of the direct costs incurred in the provision of General & Support Activities.

Functional cost

The functional expenditure of each of the service activities, plus in each case current cost depreciation, the write-off of intangible assets, infrastructure renewals expenditure, and the change in the infrastructure renewals prepayment or accrual.

Service cost

For each service, the sum of the functional costs for each of the service activities, plus the sum of the appropriate portions of the functional expenditures of the individually identified business activities, plus the appropriate portions of the costs of rates, doubtful debts, exceptional items, the write-off of intangible assets, and of general & support costs. (In the case of the water & sewerage companies, this will necessitate the allocation or apportionment of the functional expenditures associated with Customer Services, Scientific Services, and the Cost of Regulation, and the allocation or apportionment of the costs of

rates, doubtful debts, exceptional items, the write-off of intangible assets, and of General & Support costs.)

Other terms

Other terms are as defined in section 3, or in other regulatory accounting guidelines (RAGs 1 - 3).

Part Three – Accounting guideline

3.1 Introduction

3.1.1 For the regulatory accounts, companies will be required to analyse operating costs in the manner described in sections 3.2 and 3.3, and to analyse assets in the manner described in section 3.4. This analysis will form part of the current cost regulatory accounts; no analysis of operating costs will be required as part of the historical cost accounts.

3.2 Analysis of individual activities

- 3.2.1 The operating costs incurred by the appointed business should be analysed under the headings listed in sections 3.2.4 to 3.2.7. Include under each heading the direct costs attributable to the relevant activity, but exclude those costs which are only to be recorded at service level - namely rates, bad and doubtful debts, exceptional items and the write-off of intangible- assets. All costs that are capitalised should be excluded; the infrastructure renewals charge to the profit and loss account should be split between infrastructure renewals expenditure and the change in the infrastructure renewals accrual/prepayment, in line with the requirements of RAG 2.03.
- 3.2.2 Companies should include the costs of management, supervision and administration within the individually identified activities in so far as such costs can be directly attributed to the activity in question.
- 3.2.3 Companies should identify all the costs of general and support activities within the separate activity as defined.
- 3.2.4 Service activities - water supply

Water resources and treatment

All direct costs associated with the abstraction, conveyance and treatment of raw water, including routine maintenance. (Non routine maintenance should be charged to General and Support Activities.) Include the cost of bulk water supplies purchased, but exclude the functional costs of bulk water supplied to third parties and of non-potable water.

For these purposes, the latter costs should be estimated, and adjustments made to the appropriate subjective lines (including depreciation and infrastructure renewals expenditure/prepayment/accrual). Compensating adjustments should be made under Services Provided for Third Parties. Where pumps serve a dual abstraction/distribution function, an assessment must be made of the costs of each function based on relative pumping head.

Distribution of treated water

All direct costs associated with the pumping, storage and conveyance of treated water, including the operation, control and monitoring of the distribution system, including routine maintenance. (Non-routine maintenance should be charged to General and Support Activities.) Where pumps serve a dual abstraction/distribution function, an assessment must be made of the costs of each function based on relative pumping head. The costs of distributing non-potable water should be excluded. Include here the installation, removal, and replacement of consumer meters (except where capitalised or rechargeable), but not meter reading. Where distribution employees are employed on work related to tariff matters, and charging and billing enquiries, they should be charged to Customer Services.

3.2.5 Service activities - sewerage service

Sewerage

Include all direct costs associated with sewerage, including agency costs, and routine maintenance. (Non-routine maintenance should be charged to General and Support Activities.) Exclude all costs associated with sea outfalls. Exclude terminal pumping costs (ie costs incurred in pumping to treatment works).

Sewage treatment

Include all direct costs associated with sewage treatment, including terminal pumping costs, and routine maintenance. (Non-routine maintenance should be charged to General and Support Activities.) Include the cost of sewage exports, but exclude the cost of treating imported sewage. For these purposes, the latter cost should be estimated, and adjustments made to the appropriate subjective lines (and compensating adjustments, made under Services Provided for Third Parties).

Include all costs associated with sea outfalls, except the costs of sludge disposal where sea outfalls discharge treated effluent, and sludge is disposed of separately.

Sludge treatment and disposal

Include all direct costs associated with sludge treatment and disposal, including routine maintenance. (Non-routine maintenance should be charged to General & Support Activities.) Include the cost of sludge exported, but exclude the cost of treating and disposing of imported sludge. For these purposes, the latter cost should be estimated, and adjustments made to the appropriate subjective lines (and compensating adjustments made under Services Provided for Third Parties).

3.2.6 Business activities

Companies should identify all of the costs directly associated with each of the remaining individually identified activities, except for current cost depreciation, infrastructure renewals expenditure, and the change in the infrastructure renewals prepayment or accrual.

Customer services

Include customer accounting, the reading of meters, debt recovery and the costs of disconnection of non-household supplies, customer enquiries relating to tariff matters and charging/billing, and complaints handling. (The costs incurred within the water distribution and sewerage activities in dealing with complaints about matters, other than those related to tariff changes and charging/billing should be recorded within those activities.) The cost of billing services purchased should be included, the costs of services provided for third parties excluded. For these purposes, the latter cost should be estimated, and adjustments made to the appropriate subjective lines (and compensating adjustments made under Services Provided for Third Parties).

Donations to charitable trusts assisting customers or to other funds for the benefit of customers who are in need, poverty or distress and are unable to pay for services provided by the company, should be included within customer services.

The amount of the donation included within customer services should be clearly stated in a note to the table.

Scientific services

Include the costs of scientific and laboratory services, and of the monitoring of quality. The cost of such services purchased should be included, the costs of services provided for third parties excluded. For these purposes, the latter cost should be estimated, and adjustments made to the appropriate subjective lines (and compensating adjustments made, under Services Provided for Third Parties).

Cost of regulation

Include all incremental managerial costs of regulation, licence fees payable to Ofwat and DEFRA in respect of regulation; certification fees associated with the Licence requirements; staff and associated costs incurred in the preparation of submissions to, and liaison with, regulators. (Note: EA service charges are included under the operational activities.)

3.2.7 Services provided for third parties

Include the cost of bulk supplies of raw or treated water supplied to other companies, the cost of producing and delivering non-potable water, the cost of treating and disposing of imported sewage and sludge, the cost of water mains diversion and all rechargeable works.

3.3 Subjective analysis

3.3.1 Subjective categories - analysis of direct costs

Companies should provide, under each of the service activity heads defined in sections 3.2.4 and 3.2.5, an analysis of the direct costs incurred according to the following definitions. For each of the individually identified business activity heads identified in section 3.2.6, companies should provide the total direct costs. Appendix

1 contains pro formas which identify those elements of the analysis which are to be completed for each activity.

Employment costs

The gross salaries and wages of all employees within the relevant activity, including payments resulting from bonus and profit-related payment schemes, employers National Insurance Contributions, superannuation, unfunded pension liabilities, sick pay, sickness benefits, private health insurance, retirement awards, death in service benefits, paid leave, subsistence, travel, entertaining and conference expenses.

Power

All energy costs (including climate change levy) directly attributable to identified service activities but excluding energy used for transport and energy costs associated with the provision of depots and offices, which are included in General and Support Activities.

Agencies

All section 97 (Water Industry Act 1991) costs of subcontracting sewerage services to local authorities, directly attributable to identified service activities. All other subcontracted sewerage services are included in Hired and Contracted Services.

Hired and contracted services

All hired and contracted equipment and services. Hired services includes the hire of machinery, office and general equipment, and transport (but excludes the hire of vehicles and plant, which is included in General & Support Activities). Contracted services includes all contracted labour; professional advice (such as lawyers and consultants) computer software. (The provision of services by associated companies is dealt with below.)

Associated companies

If the total cost of all hired and contracted services from associated companies (excluding services that are capitalised or included in infrastructure renewals expenditure or prepayment/accrual) exceeds 20% of the total operating costs of the Appointed Business, before interest and tax, then such costs must be analysed across the headings of the segmental analysis, as if the sub-contracted activities were carried out by the Appointee. If the total costs of such subcontracted services fall below this limit then companies may, instead of the foregoing analysis, identify their total cost as a separate and additional line of the segmental analysis. (Such transactions with associated companies are also subject to the general requirements of Paragraph 6 of Condition F of the Licence, as described in Part 3 of RAG 3).

Materials and consumables

All materials and consumables that are not in Hired and Contracted Services. This category of cost includes equipment (such as small tools and clothing), provisions,

tarmac and backfill materials, but excludes all items capitalised or included within infrastructure renewals expenditure. (Most if not all stock items fall into this category.)

Service charges

Water: Payments for water abstraction and payments for bulk supplies.

Sewerage: Payments for discharge consents.

Other direct costs

Any other operating costs, but excluding interest and taxation, on an aggregated basis, including costs associated with the provision of depots and offices, and insurance premiums. (Where such costs exceed 5% of total operating costs, an analysis should be provided.)

3.3.2 General and support expenditure

The aggregate direct cost of General and support activities is termed General and support expenditure.

General and support activities include all centrally provided services, except for any items specifically covered under the individually identified activities. The following services should be included:

- Administrative services
- Personnel and management services
- Financial services
- Legal and property management services
- Research and development
- Policy determination, implementation and monitoring
- Audit services
- Public and employee relations services
- Data processing facilities
- Planning liaison
- Vehicle and plant (including hired vehicles and plant, and leased company cars)
- Electrical and mechanical maintenance facilities
- Land and property maintenance
- Storage of materials - operational and technical support
- General and support buildings

Where such services are provided by an associated company, the relevant charge should be included.

The direct costs of General and support activities are not required to be separately identified for publication, but must be allocated across service activities and the individually identified business activities as General and support expenditure. Companies should normally adopt the format shown in the pro forma tables in the Appendix.

3.3.3 Subjective categories - analysis of capital costs

Companies should provide, under each of the service activity heads defined in sections 3.2.4 and 3.2.5, a subjective analysis of the capital costs incurred according to the following definitions.

Depreciation and amortisation (where charged)

The current cost depreciation charge on tangible fixed assets, less the amortisation of grants and third party contributions relating to non-infrastructure assets.

Infrastructure renewals expenditure

Expenditure incurred in maintaining the operating capability of infrastructure assets. These costs are shown net of grants and contributions.

Infrastructure renewals accrual/prepayment

The difference between the infrastructure renewals charge (as determined by the company to meet its long run capital maintenance needs) and the infrastructure renewals expenditure.

3.3.4 Subjective categories - analysis of service costs

Companies should provide, at the aggregate level for cash service (ie for "water supply" and "sewerage services" separately), a subjective analysis of the costs incurred according to the following definitions.

Local authority rates

General and business rates including cumulo rates for water supply.

Charges for bad and doubtful debts

The charge/credit to the profit and loss account for bad and doubtful debts. Exclude costs of debt recovery and donations to charitable trusts which are included within customer services.

Exceptional items

Exceptional items are defined as in accordance with paragraph 6 of FR3.

Write-off of intangible assets

Any amortisation or other reduction in the balance sheet valuation of intangible assets such as goodwill.

3.3.5 Capital costs of business activities

Companies should identify, at the aggregate level for each service, the capital costs attributable to the business activities. This will comprise the aggregate cost for General and support activities of depreciation, infrastructure renewals expenditure and the change in the prepayment/accrual, plus the cost of these same items for the individually identified business activities.

3.4 Tangible fixed assets

3.4.1 Companies are to identify the assets (including land) associated with each of the following activities (or groups of activities):

- Water supply - resources and treatment
- Water supply - distribution
- Sewerage
- Sewage treatment
- Sludge treatment and disposal
- General and support (including business activities) - water supply
- General and support (including business activities) - sewerage
- service

3.4.2 The meaning of these terms is as defined in section 3.2.

3.4.2 The asset values are to be at current cost, calculated according to the Modern Equivalent Asset principle as explained in RAG 1.03.

3.4.3 Adjustments should be made to the asset values identified for each activity in order to reflect the use of assets in the provision of services for third parties, and in the production and delivery of non-potable water. Compensating adjustments should be made in the column headed Services for Third Parties.

3.5 Allocations and apportionments

3.5.1 The provisions of Licence condition F paragraph 7 shall apply to all allocations and apportionments of costs required to achieve the inputs required under the headings detailed in sections 3.2 to 3.4.

3.5.2 Where allocations or apportionments are required in order to complete the remaining lines in the pro formas (ie, allocations and apportionments of the costs of General and support activities, Business activities, and the analysis of assets) the basis should be stated.

APPENDIX 1 – Pro forma

Published activity cost table - water only companies

	Water Supply		
	Resource & treatment	Distribution	Water Supply Subtotal
Direct Costs			
Employment costs			C
Power			C
Agencies			C
Hired and contracted services			C
Associated companies			C
Materials and consumables			C
Service charges			C
Bulk supply imports			C
Other direct costs			C
Total Direct Costs	C	C	C
General & support expenditure			C
Total Functional Expenditure	C	C	C
Business activities			
Customer services			
Scientific services			
Other business activities			
Business activities sub-total			C
Local authority rates			
Doubtful debts			
Exceptional items			
Total opex less third party services			C
Third party services – opex			
Total operating expenditure			C
Capital maintenance			
Infrastructure renewals charge			C
Current cost depreciation			
- service activities			C
- business activities			
Amortisation of grants			
Amortisation of intangible assets			
Capital maintenance (excluding third party services) sub-total			C
Third party services			
- current cost depreciation			
- infrastructure renewals charge			
Total Capital maintenance			C
Total Operating Costs			C
CCA (MEA) Values			
Service Activities			C
Business Activities			
Service Totals			C
Services for the Third Parties			
Total			C

Published activity cost table - water and sewerage companies

	Water Supply			Sewerage Services			
	Resource & treatment	Distribution	Water Supply Subtotal	Sewerage	Sewage Treatment	Sludge Treatment & Disposal	Sewerage service total
Direct Costs							
Employment costs			C				C
Power			C				C
Agencies			C				C
Hired and contracted services			C				C
Associated companies			C				C
Materials and consumables			C				C
Service charges			C				C
Bulk supply imports			C				C
Other direct costs			C				C
Total Direct Costs	C	C	C	C	C	C	C
General & support expenditure			C				C
Total Functional Expenditure	C	C	C	C	C	C	C
Business activities							
Customer services							
Scientific services							
Other business activities							
Business activities sub-total			C				C
Local authority rates							
Doubtful debts							
Exceptional items							
Total opex less third party services			C				C
Third party services – opex							
Total operating expenditure			C				C
Capital maintenance							
Infrastructure renewals charge			C				C
Current cost depreciation							
- service activities			C				C
- business activities							
Amortisation of grants							
Amortisation of intangible assets							
Capital maintenance (excluding third party services) sub-total			C				C
Third party services							
- current cost depreciation							
- infrastructure renewals charge							
Total Capital maintenance			C				C
Total Operating Costs			C				C
CCA (MEA) Values							
Service Activities			C				C
Business Activities							
Service Totals			C				C
Services for the Third Parties							
Total			C				C

APPENDIX 2 – Worked examples

Published activity cost table - water only companies

	Water Supply		
	Resource & treatment	Distribution	Water Supply Subtotal
Direct Costs			
Employment costs	35	48	83
Power	12	9	21
Agencies	6	0	6
Hired and contracted services	14	18	32
Associated companies	0	0	0
Materials and consumables	18	12	30
Service charges	0	0	0
Bulk supply imports	5	0	5
Other direct costs	4	0	4
Total Direct Costs	94	87	181
General & support expenditure	28	39	67
Total Functional Expenditure	122	126	248
Business activities			
Customer services			35
Scientific services			15
Other business activities			10
Business activities sub-total			60
Local authority rates			47
Doubtful debts			23
Exceptional items			0
Total opex less third party services			378
Third party services – opex			46
Total operating expenditure			424
Capital maintenance			
Infrastructure renewals charge	13	8	21
Current cost depreciation			
- service activities	24	18	42
- business activities			2
Amortisation of grants			(1)
Amortisation of intangible assets			0
Capital maintenance (excluding third party services) sub-total			64
Third party services			
- current cost depreciation			2
- infrastructure renewals charge			0
Total Capital maintenance			66
Total Operating Costs			490
CCA (MEA) Values			
Service Activities	78000	97000	175000
Business Activities			22000
Service Totals			197000
Services for the Third Parties			13500
Total			210500

Published activity cost table - water and sewerage companies

	Water Supply			Sewerage Services			
	Resource & treatment	Distribution	Water Supply Subtotal	Sewerage	Sewage Treatment	Sludge Treatment & Disposal	Sewerage service total
Direct Costs							
Employment costs	35	48	83	18	25	10	53
Power	12	9	21	14	9	3	26
Agencies	0	0	0	0	0	0	0
Hired and contracted services	20	18	38	33	20	20	73
Associated companies	0	0	0	5	0	0	5
Materials and consumables	18	12	30	0	10	4	14
Service charges	50	0	50	9	15	0	24
Bulk supply imports	5	0	5	-	-	-	-
Other direct costs	4	0	4	2	2	7	11
Total Direct Costs	144	87	231	81	81	44	206
General & support expenditure	28	39	67	23	14	9	44
Total Functional Expenditure	172	126	298	104	95	53	250
Business activities							
Customer services			35				82
Scientific services			15				32
Other business activities			10				22
Business activities sub-total			60				136
Local authority rates			47				58
Doubtful debts			23				46
Exceptional items			0				0
Total opex less third party services			428				490
Third party services – opex			46				32
Total operating expenditure			474				522
Capital maintenance							
Infrastructure renewals charge	13	8	21	4	24	4	32
Current cost depreciation							
- service activities	24	18	42	4	30	4	38
- business activities			2				2
Amortisation of grants			(1)				(1)
Amortisation of intangible assets			0				0
Capital maintenance (excluding third party services) sub-total			64				71
Third party services							
- current cost depreciation			2				1
- infrastructure renewals charge			0				0
Total Capital maintenance			66				72
Total Operating Costs			540				594

CCA (MEA) Values							
Service Activities	3,000	10,380	13,380	28,000	2,000	200	30,200
Business Activities			20				10
Service Totals			13,400				30,210
Services for the Third Parties			100				10
Total			13,500				30,220

APPENDIX 3 – Descriptions of activities

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This manual forms an annex to RAG 4 – Guideline for the analysis of operating costs and assets. It details the coverage of the activity headings identified in RAG4.02 section 3.

1.1 Service activities: water supply - resources and treatment

<u>Items to be Included</u>	<u>Description</u>
Low lift pumping	Operation, maintenance and power costs of pumps, buildings and equipment used for abstraction, conveyance to treatment and treatment (ie excludes high lift pumping used to transfer to service reservoirs or boosting to/within the distribution system). See note 1.
Treatment of raw water	Activities associated with treatment of raw water from all sources - chemicals used in water treatment and other associated costs; sludge and waste water disposal; lifting of sand filter beds when required; inter-process pumping; provision, operation and routine maintenance of fixed plant.
Operation and routine maintenance of aqueducts	Operation, repair and maintenance of raw water mains valve operation, cleaning and testing, ongoing inspection of major mains, initial chemical treatment to maintain flow of water through aqueducts. Activities associated with operation of aqueducts.
Waste detection	Sounding, waste runs and step testing, and specific use of all flow measurement equipment for waste detection within the raw water system, maintenance of correlators and other waster equipment, waste meters and chambers. Purchase and collection of charts and loggers.
Operation and routine maintenance of reservoirs	Operation and routine maintenance of raw water reservoirs including: routine maintenance of dam structures and associated valves and outlet mechanisms; and operation of discharge valves.
General costs	Abstraction charges, and bulk purchases of water.
Administration, supervision and management	The direct costs of administration, supervision and management should be identified and allocated to each activity as appropriate.

1.2 Service activities: water supply-distribution of treated water

<u>Items to be Included</u>	<u>Description</u>
	Notes: Where pumps serve a dual low lift/high lift function an assessment must be made of the costs of each function based on relative pumping head.
High lift pumping	Operation, maintenance and power costs of pumps, buildings and equipment used for the transfer of water from treatment to service reservoirs or for boosting to/within the distribution system. See note 1.
Operation and routine maintenance of service reservoirs and towers	Operation and routine maintenance of service reservoirs and towers, routine maintenance of vents and covers; minor repair and maintenance to valves and valve chambers, overflows and drains for which reservoir emptying is necessary; inspections to assess reservoir security and structural and aesthetic conditions of the site.
Reservoir cleaning	Cleaning and remedial work to reservoirs - initial valving off and diversion of supplies, provision of sterilisation, cleaning and lighting facilities; removal of sludge; cleaning; refilling, disinfection testing and reconnection into supply.
Operation and routine maintenance of aqueducts and mains	All mains repairs - valve operations, actual repairs; mains flushing, disinfection and testing; backfilling, reinstatement, reconnection; the provision of water bowsers where necessary; operation of aqueducts and mains.
Operation and routine maintenance of valves and similar apparatus	Repair and maintenance of AVs, WO's, SVs, hydrants and other valves, and of pressure reducing tanks. (Include repairs to chambers and covers and routine shutting and opening of valves to check satisfactory operation). Provision of valves and similar apparatus on the distribution system.
Repair and maintenance of services	Repair and maintenance of services from ferrule to the boundary stop tap inclusive. Associated valve closures, notifications, temporary supplies etc.
Replacement and repair of meters	Replacement calibration and repair of district and zonal meters (excluding waste meters).

<u>Items to be Included</u>	<u>Description</u>
Minor repairs to consumer meters in situ	Any work carried out on site to repair meters.
Consumer meter installation and replacement	Installation, removal and replacement of customer meters including the compulsory installation of meters under the power vested in companies (but excluding the purchase and refurbishment costs of meters which are capitalised or recharged to customers).
Operation and control of distribution system	Monitoring satisfactory pressures and water quality. Pressure recording and testing, flow measurement and reservoir level reading. Operation of AVs, WO's, SVs and PRV adjustment. Swabbing, flushing, air scouring, and notification of consumers (excluding any works which are included as infrastructure renewals). Routine post treatment; disinfection and chemical dosing for local control; and infestation control including sampling and notification.
Waste detection	Sounding, waste runs and step testing, and specific use of all flow measurement equipment for waste detection within the water distribution system, maintenance of correlators and other waste equipment, waste meters and chambers. Purchase and collection of charts, loggers.
Byelaw inspection	Checking installations, giving advice and enforcing compliance, including: inspection of new domestic and non- domestic connections; inspection of existing properties when plumbing alterations have taken place and there is a risk of contamination and periodic connections; inspection of industrial premises and farms (also including pre and post-inspection of domestic/non-domestic properties during installation of customer meters).

Items to be Included

Description

Investigations of enquiries and complaints

Activities arising from enquiries and complaints relating to the distribution system from customers, contractors or other utilities, including site visits, the use of pipe locating equipment, and any attendance on sites during excavations.

Investigation of complaints of low pressure, or Inadequate or unsatisfactory supply, including site visits, pressure testing, sampling, cleaning out of service pipes, and compensation for damage to customer property.

Administration supervision management

All direct costs of administration, supervision and management should be identified and allocated to this sub-service activity as appropriate.

Note:

- 1 Where pumps serve a dual low lift/high lift function an assessment must be made of the costs of each function based on relative pumping head.
- 2 When distribution employees are employed on work related to tariff changes and charging and billing enquiries, they should be charged to "Customer Services".

1.3 Service activities: sewerage services - sewerage

<u>Items to be Included</u>	<u>Description</u>
Sewer inspection, storm overflow and outfall	Sewerage inspection including CCTV maintenance examinations and physical inspection of man entry sewers
Sewer cleansing including jetting, winching and flushing	Jetting, flushing and winching to clear debris or silting in the sewers, manholes, storm overflows, syphons, tanks, rising mains and other structures.
Sewer blockages	Clearance of blockages including any rodding, jetting, flushing etc involved in clearing the blockage.
Sewer maintenance and repair including manholes and emergency work	Routine repairs to sewers, manhole cover replacements, repairs to manholes, structures and pipes by refurbishment methods and other work of a non-recurring nature. Improvement, extension, repair, renewal, replacement and renovation of sewers and structures including sewer relining.
Section 24 sewer repairs	Routine maintenance of Section 24 sewers.
Other	Rodent control.
Inspection and operational maintenance of pumping stations	Inspection and routine maintenance of pumping stations and associated equipment, including screens; wet well maintenance, greasing and gland packing. (NB Exclude terminal pumping stations which should be charged to Sewage treatment and disposal.)
Pumping operations	Power and other costs incurred in the operation and maintenance of pumping stations. (NB Exclude <u>terminal</u> pumping station; which should be charged to Sewage treatment and disposal.)

Items to be Included

Description

Other agency costs:

Sewer adoption and NRSWA	Sewerage responses under the requirements of the New Roads and Street Works Act; adoption of sewers Involving Sections 102 and 104 Water Industry Act 1991.
Sewer records	Agreed improvements to sewer records.
Administration	All agency administration charges including work study costs.
Investigation of enquiries and complaints	Activities arising from enquiries and complaints relating to the sewerage system from customers, contractors, or other utilities, including site visits, the use of pipe locating equipment, and any attendance on sites during excavations.
Administration, supervision and management	All direct costs of administration, supervision and management should be identified and allocated to this subservice activity as appropriate.

1.4 Service activities: sewerage service: sewage treatment

<u>Items to be Included</u>	<u>Description</u>
Sewage pumping	The pumping of crude sewage, storm sewage and effluent derived from other sources to preliminary/primary treatment processes or to a watercourse. Costs should include all aspects of operation and routine maintenance, and include "terminal" pumping stations operated by both the company and its agents.
Provision of preliminary treatment	The operation and routine maintenance of screening, comminution, maceration, grit/detritus removal and storm tanks.
Provision of primary treatment	The operation and routine maintenance of all aspects of primary sedimentation processes to include desludging by direct pumping or any other means to the first stage of the sludge treatment process.
High rate filtration)
Conventional filtration (including recirculation))
Alternating double filtration)
Double filtration)
)
)
)
)
)
)
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)
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)

<u>Items to be Included</u>	<u>Description</u>
Diffused air aeration)	
Coarse bubble aeration)	The operation and routine maintenance of activated sludge processes to include the cost of activated sludge settlement tank activities, return sludge pumping, energy and external plant eg blowers, compressors etc.
Mechanical aeration)	
Other secondary treatment processes)	
Sand filters)	
Microstrainers)	
Upward flow clarifiers)	
Land treatment)	The operation and routine maintenance of tertiary treatment processes and nitrifying filters to include process pumping.
Clarification lakes)	
Nitrifying filters)	
Other tertiary treatment processes)	
General costs	Costs of sewage exported for treatment by other companies (see note 1).
Sea outfalls	Costs associated with the discharge of effluent. Repair and maintenance costs of sea outfalls.
Power generation	The operation and routine maintenance costs associated with the generation of power from methane gas/diesel fuel in dual fuel engines. (Do not include costs related to power generation for external sale.)
Administration, supervision and management	All direct costs of administration, supervision and management should be identified and allocated to this subservice activity as appropriate.

1.5 Service activities: sewerage services - sludge treatment and disposal

<u>Items to be Included</u>	<u>Description</u>
Thickening of sludge by gravity and low energy processes	The operation and routine maintenance of gravity and low energy processes, to include retention costs prior to tanker disposal of the thickened sewage sludge. (Processes include air flotation).
Sludge digestion	The operation and routine maintenance of processes associated with the anaerobic digestion of sewage sludge to include pre-thickening, primary digestion, secondary digestion, including the cost of further retention prior to additional treatment or disposal.
Mechanical sludge dewatering	The operation and routine maintenance of processes to mechanically dewater sewage sludge, including filter presses, vacuum filters, centrifuges etc. Pre-thickening costs and relocation of sludge cakes to tips on site to be included.
Air drying of sludge	The operation and routine maintenance costs associated with sludge drying bed processes, including the lifting of sludge cakes and relocation to tips on site.
Incineration	The operation and routine maintenance of sludge incineration processes, other pre-treatment costs (including mechanical sludge dewatering), and the relocation of ash to tips on site.
Sludge tankered to land	The operation and routine maintenance of all activities associated with the removal of stabilised sludge from the point of collection to its final resting place, including intermediate storage costs.
Sludge pumped to land	The operation and routine maintenance of pumping stabilised sludge to land including costs of pumping and site work etc.

<u>Items to be Included</u>	<u>Description</u>
Sludge to land by soil injection	The operation and routine maintenance of all activities associated with the disposal of sludge to land by soil injection from the point of collection to its final resting place.
Sludge cake disposal	The operation and routine maintenance associated with the transportation and redistribution of sewage sludge cakes from the point of collection to final resting place to land or tip, to include costs of tip maintenance and other charges.
Sludge to landfill	The operation and routine maintenance costs of all activities associated with the removal of stabilised sludge from the point of collection at a landfill site, including gate fees and tax.
Sludge transfer to sewers and other works	The operation and routine maintenance costs of transferring sludge from the point of origin to sewers and other works by pumping, tankering or other means prior to disposal at the point of reception.
Other sludge disposal methods	The operation and routine maintenance costs of all activities associated with the treatment and disposal of sludge by other methods, including composting, grossification, pyrolysis, silviculture and forestry. Income from sludge disposal should be included in other income and not netted off costs.
Exports	Sludge exported for treatment and disposal by other companies.
Administration, supervision and management	All direct costs of administration, supervision and management should be identified and allocated to this subservice activity as appropriate.

2.1 Business activities: customer services

<u>Items to be Included</u>	<u>Description</u>
Customer accounting	Customer accounting, including customer liaison and correspondence; maintenance and control of data; despatch of customer documents; control of inputs and outputs into the system and forecasting.
Customer meter reading	Reading of meters plus any supervision and management of meter readers.
Miscellaneous	Miscellaneous billing including new connections, maintenance and control of files; despatch of customer documents; billing of trade effluent charges; maintenance of control accounts and forecasting; specific customer enquiries. The costs associated with routine inspections for void properties.
Cash control	Collection, receipt and control of remittances.
Debt recovery	Total costs directly associated with the collection of outstanding revenue from customers. Include the costs of reminder bills and of debt recovery. The cost of outstanding revenue collection services purchased and of commission payments to third parties contracted for billing services should be included. Relevant costs should include costs of dedicated debt handling or revenue collection teams, court and specific Citizens' Advice Bureaux. The costs of disconnection for commercial properties should also be included.
Vulnerable household customers	Operating expenditure due to vulnerable household customers. Total costs directly associated with the administration of the provision for vulnerable customers required under the Water Industry (charges) (Vulnerable Group) Regulations 1999.

Items to be Included**Description**

Tariff changes

Options, applications and requests including enquiries from customers on tariff changes.

Charging and billing enquiries

Customer and audit enquiries on charging matters resulting in on-site investigations by operational and billing employees including inspection of unsewered/sewered properties for both foul and surface water charges; (NB Exclude pre and post inspection of domestic/non domestic properties during installation of customer meters which is included in Byelaw inspection within the Distribution Activity.)

Administration and control of customer complaints including centralised record of complaints, monitoring the resolution of complaints, and judging how the company should meet customers' needs.

The costs of dealing with potential transferees to the measured tariff.

Policy and procedures implementation

Formulation of implementation programme to introduce agreed policies. Preparation and issue of clerical and operational procedures; specification of DP requests; defining and monitoring methodology; monitoring billing and collection activity.

Administration, supervision and management

All direct costs of administration, supervision and management should be identified and allocated to this subservice activity as appropriate.

2.2 Business activities - scientific services

<u>Items to be included</u>	<u>Description</u>
Provision of operational scientific services	<p>Investigation of source quality, treatment and disinfection. Investigation of plant performance and the effects of the distribution system upon quality and wholesomeness. Review of water treatment and reclamation works performance, recommendations on optimum mode of operation and solution to operation difficulties and malfunctions. Investigation of sewerage problems at the request of Sewerage Agencies. Monitoring of sludge disposal. Development and implementation of clean working procedures and source risk assessment.</p> <p>Formulation and implementation of monitoring and sampling programmes and interpretation and reporting upon results to meet management requirements and safeguard public health.</p> <p>Sampling for operational purposes.</p> <p>Assessment of works capacity and methods of uprating, where desirable.</p> <p>Advice upon process selection and specification for new treatment plant.</p> <p>Monitoring and advice on the use of chemicals in water treatment and disinfection, water reclamation and sludge treatment.</p> <p>Investigation of complaints by domestic and industrial customers and advice to industrial users on water use.</p> <p>Liaison with Health Authorities, Medical Offices of Environmental Health, Environmental Health Officers and others regarding the public health aspect of water quality and other medical matters.</p> <p>Data-handling associated with provision of scientific support.</p> <p>Advice on health and safety of personnel with particular reference to the handling of chlorine gas and other chemicals and on the occurrence of dangerous atmospheres.</p> <p>Determination (in conjunction with the charging section) of charging policy.</p>

Items to be Included

Description

Provision of laboratory services

Receipt, registration and chemical, biological and bacteriological analysis of samples from water reclamation works, water treatment works, rivers, underground waters, industrial discharges, trade effluent discharges, distribution network and customer taps, sludges and soils.

Reporting of results.

Data management within the laboratory up to assembly of the analytical report.

Specialist advice on interpretation of results, particularly on biological and bacteriological data.

Management of equipment used in laboratory analysis and of chemical monitoring, seasons and interfaces in the field.

Analytical quality control exercises.

Laboratory performance measurement.

Quality review

Maintaining an independent and continuous review of the management and operation of the Company's responsibilities for water quality matters, including water resources and supplies, river and ground waters, sewage and trade effluent to sewers, sewage effluent and trade effluent to rivers and sea, and sewage sludges.

Examination of quality standards and compliance rates; practices and procedures to ensure compliance with standards and systems for handling customer and other public complaints in respect of quality; review of emergencies and incidents which have affected quality.

Administration, supervision and management

All direct costs of administration, supervision and management should be identified and allocated to this sub-service activity as appropriate.

2.3 Business activities: cost of regulation

<u>Items to be Included</u>	<u>Description</u>
General	Co-ordination and supervision of liaison with regulatory bodies.
Licence fees	Licence Fees payable to OFWAT in respect of regulation.
Certification fees	Certification (including audit) fees incurred as a result of licence requirements.
Scientific services	Submission to, and liaison with, the EA, DWI and other regulatory bodies on matters relating to water quality, abstraction levels, effluent quality, and consent standards.
Regulatory accounts	Incremental costs associated with the preparation of the regulatory accounts.
Principal statement	The preparation and submission of the Principal Statement to the Director General of Water Services; liaison with the Director over charging matters.
July June return	The preparation and submission of the June return to the Director general of water services, and liaison with the Director over associated matters.
Asset management plan	Incremental costs associated with the development of the Asset management plan, and liaison with the Director over the plan.
Periodic review	Incremental managerial costs associated with the periodic review.
WaterVoice committees	Information provision to WaterVoice committees.

Notes:

- 1 "Incremental costs of regulation" includes an assessment of the time spent by managers on regulatory matters and the cost of associated hired and contracted services. It should exclude any costs that would in any case be incurred by a well-run company.
- 2 Charges for services (eg EA abstraction and discharge consent charges) are excluded.

2.4 Business activities: general and support activities

Items to be Included

Description

Provision of administrative services:

Provision of general administration services

Centrally co-ordinated services for filing; telephonist and receptionist services (excluding telephone rental, usage and installation costs which are identified to service and business activities); postal and messenger services including postal charges; central registry and library facilities; photo copying; microfilming; chauffeur driven transportation; management and supervision of administrative services; stationery supplies administration; purchase of furniture and control of furniture allocations and non specialist equipment. (Non specialist equipment includes items such as extractor fans, clocks waste paper bins etc.)

NB Specialist equipment will be controlled and charged to the activity that predominantly has its use.

Direct administrative services to the Board, Company and Divisional Management (excluding secretarial support).

Costs of equipment used in administrative services and the repair and maintenance of this equipment (excluding computer equipment used which is included in provision of data processing facilities).

Provision of printing services

Printing (including externally and internally produced documents).

Provision of secretarial services

Typing and personal assistance, ie audio, copy, shorthand, word processing facilities; private secretarial facilities and personal assistance.

Costs of equipment used in secretarial services and the repair and maintenance of this equipment.

Provision of clerical services

General clerical support facilities employed in the other activities.

Items to be Included

Description

Administration and acquisition of materials equipment and services

Market search including identification of type of supply required and potential suppliers; obtaining quotations and tenders and selection of supplier; agreeing specification and placing order; progress chasing orders outstanding; resolving discrepancies; administration of the Company's tendering and ordering procedures and regulation.

Maintenance of register of quotations and record of orders placed; suppliers analysis, and assessment and registration of recommended suppliers. Negotiation of improved terms.

Personnel services:

Industrial relations

Disciplinary issues; conditions of service matters; issues relating to employment law; notification and resolution of grievances and disputes; local or regional negotiations regarding pay and conditions; joint consultative matters; changes to establishments and structures; manpower planning; provision of manpower statistics for national negotiations or strategies.

Recruitment, selection and termination

Job descriptions, specifications and advertisements for posts; recruitment, selection, induction and termination (including job changes); employment documentation; early retirement/severance/ill health; liaison on Government sponsored employment schemes; medical clearance for new employees.

Manpower information systems

Maintaining individual personal filing system and administering the computerised personnel records system; designing and maintaining establishment and manual complement to provide information for management control purposes; manpower reporting and statistics; monitoring and administering statutory sick pay scheme.

Welfare

General welfare services to employees including dealing with personal problems; arranging medical examinations for employees whose attendance record is affected by ill-health; advising on pensions; visiting employees who are absent on long term sick leave; maternity leave; bereavement; counselling service to employees; administering the suggestion scheme; administration of medical requirements for Health and Safety at Work Act and for employees in high risk areas; register of first aid.

Items to be Included

Description

General personnel duties

References for employees; administering car loan Scheme; administering relocation expenses schemes; issuing identity passes and keeping an up-to-date register of issued passes; monitoring flexible working hours scheme; answering general requests for employment, vacation jobs, and apprenticeships; advising on private medical insurance scheme; placing industrial placement students; interpretation of employment legislation (in conjunction with Legal Services); monitoring of absence; annual leave reporting; staff appraisal.

Administration of employee schemes

Administration of local and regional medical schemes; administration of suggestion schemes; administration of ROSPA safe driving awards; organisation of awards/retirement presentations.

Costs of equipment used in personnel administration.

Administration and provision of training services

Organising and counselling for training needs of individuals, departments and the company; ensuring that the design, structure and content of selected courses are appropriate; monitoring training in terms of performances of course participants; maintaining a register of available courses suitable for requirements; liaison on training matters both internal and external; planning, co-ordinating and organising of training courses; participation in training courses; administration of training function; dealing with apprenticeship recruitment and training.

Expenditure incurred in training including examination fees, subscriptions, training course costs, books, travelling and subsistence allowance while on courses, college fees, etc.

Costs of visual aid equipment.

Management services:

Productivity schemes

Consultation procedures, including discussions with management on the scope of productivity schemes; preparation of productivity documentation including frequencies of tasks and times; work specification; development of planning systems and method studies into operational practices; co-operation with local management in the introduction of schemes.

Items to be Included

Description

Processing/calculation of scheme work sheets for payment purposes and updating of productivity files; manpower efficiency statistics for reporting requirements; amendments to existing schemes for minor changes in working practices; assessment of existing schemes and ensuring that the schemes are maintained in accordance with company policy; monitoring of schemes with managers; field study work for monitoring of values and containment of unmeasured work.

Structural control

Organising, control and maintenance of employee structures and setting grades of posts; performing and evaluating O & M reviews; authorising the filling of posts; monitoring and reporting on manpower productivity budgets.

Health and safety advisory service

Investigation of accidents, including completion of official documentation and accident statistics.

Inspections to the standard in the Health and Safety at Work Act 1974: establishing procedures to ensure that the provision and maintenance of plant and systems of work that are safe and without risks to health; arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage, and transport of articles and substances; provision of such information, instruction, and supervision as is necessary to ensure the health and safety at work; establishing procedures to ensure that the maintenance of plant in a condition that is safe and without risks to health and the provision and maintenance of means of access to and egress from buildings that are safe and without such risks.

The provision and maintenance of a working environment for employees that is, so far as is reasonably practicable, safe, without risks to health, and adequate as regards facilities and arrangements for their welfare at work.

Maintenance of records to show compliance with Factory and Health and Safety at Work Acts.

Providing advice on security matters both for property and personnel and provision of advice on fire prevention.

Items to be Included

Description

Advice on new legislation as it effects existing working conditions and changes in operational practices which may infringe existing health and safety legislation.

Liaison with outside bodies such as the Health and Safety Executive to ensure that best practices are implemented.

Canteen facilities

Cooked and prepared food, trolley services; drinks and light snacks; maintenance of vending machines. Provision of canteen equipment.

Any internal management costs attributed to the control and supervision of canteen.

(All netted off against income derived).

Financial services

Financial and management accounting and budget preparation

Estimate preparation, preparation of spending officers operating budgets and consolidation.

Final accounts and company consolidation; control of costing and general accounting system, including checking and completion of coding of source documents and control of costing on rechargeable works; sewerage agency budgets and ongoing liaison on financial matters; budgetary control reporting; ongoing reconciliation of statutory and Company records of transactions (including internal invoices, VAT claims reconciliation and cash flow forecasts).

Capital expenditure reporting including maintenance of the fixed asset system (including fixed asset registration), issuing of capital reports; budgetary control and preparation of capital final accounts; administration of grants and contributions received, capital estimates.

Management Reports including investigation of queries and detailed analysis when requested. Liaison with line management to update forecast, identify and explain variances and provide ongoing financial advice and support.

Items to be Included**Description**

Control and monitoring of leasing.

Management accounting systems development; co-ordinating the collection and presentation of performance measurement in divisions.

Liaison with Management Services on productivity scheme developments and commenting on new schemes.

Provision of payroll administration

Extension and checking of theme; input of information; calculation of wages, salaries, pensions and superannuation; superannuation reporting; deduction reconciliation including year end tax procedures; maintenance of master file; maintenance of statutory sick pay scheme and holiday record; systems controls (including input and output control); payment of employees expenses.

Creditors administration

Verifications and authorisation of payments; creditors master file maintenance; control of creditors computer system and payment procedures; sub-contractors payments deductions and tax office notification; calculation of monthly accruals.

Performance of superannuation control

Benefit calculation, interpretation of new regulations and maintenance and control of contribution returns.

Insurance administration

Obtaining and analysing quotations for new and renewable external insurance; guidance on insurance claims and cover required; maintenance and updating of existing insurance arrangements; recording and processing insurance claims; pursuing claims against third parties.

Financing services

Central banking services including negotiation of service charges, overdraft facilities, administration of cheque signatories and open credit facilities including bank charges.

Loan administration including servicing of existing loans and replacement of loans.

Items to be Included

Description

	Cash management including cash flow forecasting and the acquisition of short-term finance and the placing of surplus on the money markets.
Charge policy determination and implementation	Identification of most appropriate tariffs to charge to consumers, having regard to the company's obligation on charging under the Water Industry Act 1991; establishment of charging policy to influence consumers so that optimum use is made of available resources.
Charge fixing	Establishing charging and income base for measured and unmeasured income; agreeing Divisional income budget; monitoring income received against budgets and revision of charges; reviewing specific charges to customers.
<u>Legal and property management services:</u>	
	Legal matters relating to purchase and sale of land Property (including establishing owners and occupants of land affected by capital schemes); leasing of land and office properties; granting of easements (and the preparation of records of condition of land prior to entry) and them by and to the Company; tenancy agreements; agricultural tenancies; recreational agreements; Housing and Rent Act matters; licences; highway matters; property records and legal library; commuted sum and guarantee agreements with developers; monitoring and implementing changes in property law and advising them.
Litigation/common law	Drafting contracts and advice on contractual matters particularly civil engineering and mechanical/electrical contracts; prosecutions by the Company, defence of the Company in prosecutions brought by outside bodies/persons relative to motor vehicles/health and safety etc; civil actions in high and county courts including debt recover; arbitrations and advice relative to contractual claims and claims for compensation arising from public works; advice on personnel and health and safety matters and including claims in industrial tribunals.

<u>Items to be Included</u>	<u>Description</u>
Parliamentary	Advice on Company's responsibilities under legislation; promotion and opposition to legislation; informing officers of changes in legislation; seeking orders pursuant of various enabling agreement; town and country planning matters; seeking of powers to carry out schemes, with developers; local authorities and other water companies.
Special projects and general legal matters	Agreements with developers, local authorities and other water companies; fluoridation; industrial property and patent law; EEC legislation and directives and general legal advice.
Property management services	<p>Surveying and preliminary preparation of property and negotiation for sale of surplus assets and the purchase and lease of land and premises; Landlord and Tenant matters and negotiation of tenancy terms and conducting rent reviews; negotiating extinguishment of liabilities including water rights and supplies; negotiation of rights of access for sale or development purposes; advising on division of properties for sale; investigating and obtaining planning consents (on appeal if necessary); estimation for and negotiation of compensation for land drainage schemes, sewerage and mains; handling claims and licences as delegated.</p> <p>Valuation of easements and valuation of existing property portfolio.</p> <p>Maintenance of property terrier.</p> <p>Specialised matters such as sailing club licences and rents, fishing rights and recreational agreements.</p>
<u>Research and development:-</u>	
Co-ordination and provision of research development	Assessment of research and development projects; monitoring and direction of projects; reporting and promoting research projects; carrying out and funding of research and development projects.

Items to be Included

Description

Policy determination implementation and monitoring:-

Co-ordination of
long/medium term
planning objectives

Servicing company management; formulating policy guidelines; disseminating policy decisions.

Co-ordination of medium term strategy development, managing resource planning cycle.

Co-ordination of development of objectives, levels of service, priorities, etc.

Regular annual review of demand forecasts; population forecasts; regional household survey; domestic demand studies.

Maintenance of data-base for financial planning including provision of services to divisions.

Capital strategies; appraisal procedures on individual schemes.

Receiving submission from divisions on capital programme; compiling and agreeing overall company capital works programme.

Authorisation of individual schemes; implementation of best practice in investment appraisal techniques; co-ordination of post-appraisal of schemes.

Divisional management

Ensuring implementation of policy decisions and monitoring procedures to establish compliance, including salaries and associated costs of chairman, directors, other board members, assistant directors or equivalent status and officers who form part of the divisional management team.

Items to be Included

Description

Audit services:-

Financial

Maintaining an independent and continuous appraisal of accounting, financial and other processes to ascertain the extent of compliance with established policies, plans and procedures; the review and, where necessary, the making of recommendations for the improvement of systems, controls, procedures and management information in order to ensure they are efficient, effective and reliable; assisting in protecting the assets and interests of the Company by carrying out a continuous examination in order to detect fraud, misappropriation, irregular expenditure and losses due to waste, extravagance and maladministration; review the performance of the various Company activities to

ascertain whether those activities are meeting objectives, that the objectives are soundly based and performance of those activities are regularly monitored by management.

Review of income; capital and revenue expenditure of agencies (as defined in Section 5.97 of the Water Industry Act 1991); administration and investment of the Superannuation Fund; post appraisal of capital schemes.

Evaluation of financial standing of companies who are likely to conduct business with the Company; ad-hoc assignments related to previous or information provided.

Technical

Technical audit: agency audits and the extension of such techniques into other areas.

Public and employee relations services:

Public relations services

Information to the media so that the views and activities undertaken are correctly interpreted and specific managerial decisions, technical and financial information are produced in the most appropriate format to be readily interpreted; open days and lectures to schools etc.

Items to be Included

Description

Employee information services

Production of the various publications keeping employees informed of the technical and managerial changes and information on various social activities.

Data processing facilities:-

Data processing service:

Operational

Operation of the mainframe computer system including operational staff, data control, data input; maintenance of both hardware and software; system development maintenance and enhancements and information centre activities.

Development

Project initiation; investigation and user requirement specification; system feasibility and proposed development; functional requirement specification; information system design; development; implementation and training; system performance monitoring.

Data management

Liaison with users to ascertain the source of data; the different uses to which the data is put; maintaining integrity of the corporate and functional data models; making data available to approved users in a format and timescale that is required to enable that data to be usefully interpreted; supporting local computer based applications developed to satisfy departmental requirements; output control to ensure correct file processing.

Planning liaison:-

Planning liaison

Reviewing and commenting on overall planning consultations in respect of structure plans and district local plans and dealing with individual applications for planning permission.

Response to planned trade effluent discharges and Subsequent investigations; effect on sewage treatment Facilities of likely development or change of use; effect on Sewage treatment facilities of likely development or change of use; effect on water supply of development or change of use; dealing with sewer adoptions and building over Applications.

<u>Items to be Included</u>	<u>Description</u>
<u>Operational and technical support:-</u>	
Abstraction, conveyance and treatment of raw water	Investigation and advice on specific operational problems; accumulation of technical data on water supply.
Conveyance and distribution of treated water	Administration:- System records of mains and distribution systems; accumulation of technical data on water distribution; administration and control of mains reconditioning, mains renewals and rechargeable works (excluding detailed cost control included in financial services); administration and control of the main-laying contracts. Technical:- Investigation and advice on specific operational problems; network analysis and development of computerised modelling of water distribution/supply system.
Sewage treatment and disposal	Organising sludge disposal contracts; scheduling and organisation of sludge movement; accumulation of technical data; investigation and advising on operational problems. Maintenance of sewer records (not held by agencies).
Other operational and technical support	Energy conservation; optimisation of systems; advice and investigations into instrumentation and control.
Sewerage liaison	Technical liaison with sewerage agencies including advice and progression of capital schemes; requisitions; review of budget after consideration of operational practices and frequencies; consideration of planning application after examining effect of development or change of use on sewerage system; liaison with engineering consultancies and district councils on sewer records.
Information centre and telecommunications	Customer relations and liaison with statutory authorities, including logging of calls and nature of incident reports; advising customers and instigating emergency procedures when required.

Items to be Included

Description

Communications links with various operational activities, namely: monitoring of both reclamation and water supply/treatment telemetry and instigating appropriate action; liaison with mobile gangs.

Maintenance and running costs of telecommunications system.

Vehicle and plant:

Fleet management

Hiring and procurement of vehicles and plant (including leasing of company cars); hire and lease charges; co-ordination of the replacement/additions programme for vehicle and plant ensuring that it is controlled within the capital programmed; ensuring that operational/maintenance practices satisfy the requirement of the operating licences.

Maintenance and running costs

Maintenance inspection of vehicles and plant; routine maintenance to comply with legislation; MOT plating and testing in line with statutory conditions of operating licences; replacement parts; oil; tyres; external repair and maintenance; transportation of vehicles/plant to/from garage or mechanics time to repair/maintain equipment on site; fuel; insurance; tax.

Equipment used in maintaining fleet (excluding fixed plant which is included in provision of general and support buildings).

Garages

Ruing and associated costs of providing buildings including rent, heating and lighting; waste disposal; telephone rental; usage and installation costs; security of buildings, maintenance and repair of fixed plant in garages.

Electrical and mechanical maintenance facilities:

Electrical

Inspection, adjustment, repair or installation of all forms of rotating and static electrical apparatus comprising motors, generators, transformers, switch and fusegear, control equipment cable and wiring systems for power and lighting.

Items to be Included

Description

Periodic measurement of performance factors against defined safety and operational criteria; the diagnosis of fault-conditions and initiation of corrective measures. Supply of maintenance data to enable optimum levels of planned and breakdown maintenance work to be assessed in conjunction with proposed plant investment.

Equipment used in providing the electrical maintenance facility (excluding fixed plant which is included in provision of non-operational buildings).

Mechanical

Inspection, adjustment, repair or replacement of mechanical fixed plant including pump performance and efficiency checks; adjustment of pump glands; adjustment of mechanical plant for optimum performance; replacement of worn parts including repair, machining and fabrication of parts.

As part of condition monitoring, taking readings of usage, examining overall condition of plant, and feeding-back information to centralised reporting system.

Repairs and testing of meters, pressure records and other measuring apparatus.

Repair of pressure release valves and motorised valves.

Equipment used in providing the mechanical maintenance facility (excluding fixed plant which is included in provision of general and support buildings).

Electronic

Inspection, adjustment, repair or installation of electronic apparatus including sensors and related instrumentation, cable and wiring systems for supervisory and communication apparatus owned by the Company.

Items to be Included

Description

Land and property maintenance:

Building maintenance

All building maintenance including dam structures, water treatment works, boreholes, service reservoir structures, pumping station and meter/valve chambers on water distribution, divisional sewerage, water reclamation works, general and support buildings, and all other structures forming part of the commissioned assets.

Includes: repair and maintenance of existing buildings; namely structural repairs, roofing, decorating, carpentry and joinery, plumbing, rainwater goods, and heating systems, air conditioning, roads, footpaths, gravelled areas, paving, stock fencing, gate maintenance; security fencing and safety handrailing, ladders etc.

Grounds maintenance

All ground maintenance, including raw water reservoirs, water treatment works, borehole sites, service reservoirs, pumping station sites or distribution, divisional sewerage, water reclamation works, non-operational buildings, subsidiary trading and all other sites forming part of the commissioned assets.

Includes: maintenance of existing and newly established landscape, weed control, pruning, staking, coppicing, hedge trimming, grass cutting (including ground maintenance of raw water reservoirs, water treatment works); site work including ground preparation, planting, seeding, turfing and paving; running expenditure associated with garden nurseries for growth of plants and shrubs.

Workshops

Running and associated costs of providing workshops including rent, rates, heating and lighting; waste disposal; telephone costs including rental, usage and installation; and security of buildings.

Items to be Included**Description****Storage of materials:**

storage of materials/stock control

Determining stock requirements; maintaining stock catalogue of items held in stores; ordering of stock items; handling and recording of stock movements; monitoring stock items; carrying out stocktaking or perpetual inventory; processing stock documentation; controlling inputs and outputs of the stores accounting system; transferring stock items from one store to another; collecting goods from suppliers to replenish stocks; identifying items to be written off as obsolete stock and scrap; controlling and disposing of surplus and obsolete stock and scrap.

Stores buildings

Ruing and associated costs of providing stores buildings including rent, heating and lighting; waste disposal; telephone rental, usage and installation costs; security of buildings.

General and support buildings

The ruling and associated costs of all general and support buildings not included above, including rent, rates, heating and lighting; waste disposal; telephone rental, usage and installation costs; re-carpeting; and security of buildings including 'caretakers'.

Provision of cleaning services

Office and window cleaning.

Administration, supervision and management

All costs of administration, supervision and management should be identified and allocated to this sub-service activity as appropriate.

3. Services provided for third parties

<u>Items to be Included</u>	<u>Description</u>
Bulk supplies of raw or treated water exported to other water companies	The costs of supplying raw or treated water to other water companies. (If actual costs are difficult to identify the unit cost of the total output should be applied pro rata.)
Supply of non-potable water	The costs associated with the production and delivery of non-potable water.
Treatment and disposal of imported sewage and sludge	The costs of treating and/or disposing of sewage or sludge imported from other sewerage companies. (If actual costs are difficult to identify, the unit cost of the total output should be applied pro rata.)
Rechargeable work	The costs of rechargeable work.

Note:

Companies receiving raw or treated water from other companies should record the associated costs under the relevant activity heading.