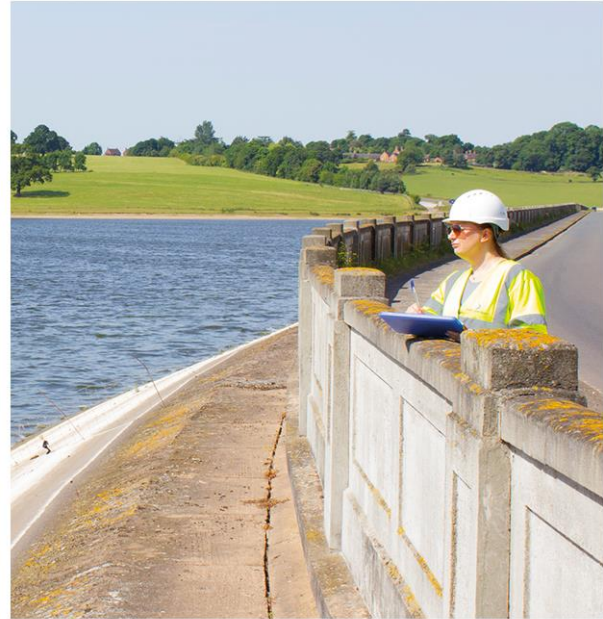




Cambridge Water



South Staffs Water



Accounting separation methodology statement

For the year ended 31 March 2023

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1. Introduction

1.1 Purpose

Each year, the Company publishes an Annual Performance Report (APR) which contains various tables of regulatory information across price control units (APR section 2) and Retail and Wholesale upstream services (APR section 4). This document sets out the Company's methodology for the allocation of costs contained within the following APR tables:

- 2A – Segmental income statement
- 2B – Totex analysis – Wholesale
- 2C – Operating cost analysis – Retail
- 2D – Historic analysis of fixed assets
- 4J – Wholesale Totex analysis

The Company can confirm that it has followed the principles and guidance set out in Regulatory Accounting Guideline (RAG) 4.11. The Company believes that in preparing its Accounting Separation information, appropriate allocations and cost drivers have been used and where possible we used costs drivers suggested by Ofwat. The allocations and costs drivers are reviewed each year, and our accounting separation methodology has been enhanced to reflect these changes and systems have been modified to capture additional information.

1.2 Assurance

We have shared the cost allocation with our statutory financial auditor, Ernst & Young LLP, to audit the cost allocation data back to source for the annual accounts.

In FY17/18, the company's cost allocation methodology was subject to an external assurance audit by Jacobs U.K Limited (Jacobs) to ensure compliance with Ofwat's Regulatory Accounting Guideline 4 (RAGs).

The methodology for FY22/23 is broadly consistent with the methodology assured by Jacobs, therefore the company is strongly of the opinion the outputs of the assurance from FY17/18 remain valid, given changes to the RAGS for the cost allocation tables since such date have been minimal.

1.3 Operating / Capital Expenditure

Costs were allocated between operating and capital expenditure in accordance with the company's accounting policies and applicable accounting standards.

The deminimis for capitalisation were £1,000 for minor purchases (e.g., Office Equipment) and £5,000 for Buildings expenditure.

1.4 Provisions

The only provision included in operating costs was for the purposes of bad debts, where the debts identified as being irrecoverable had not yet been physically written off in the billing file. This was consistent with previous years.

During the year collection targets have been maintained and the policy has been applied with no overlay. As we report under FRS102 and are not forward looking we have not included any overlay position for the cost-of-living crisis.

2. Preparing the Annual Performance Report

2.1 Introduction

The company used its financial system, Oracle, to download a Trial Balance (TB). The downloaded TB detailed all actual revenue and expenditure for the given time period, at an account combination level. Recharges to the non-appointed business are processed first, using the Company Code (CC) from the account combination; actuals relating to non-appointed business streams were excluded. Furthermore, using the Activity Code (AC), the company was able to identify the balance of direct Capital Expenditure (Capex), Operating Expenditure (Opex) and Infrastructure Renewal Expenditure (IRE). Finally, the TB was enriched with the company's departmental structure and reconciled back to the statutory TB.

2.2 Own Work Capitalised (OWC)

Due to the nature of business, multiple costs incurred should be capitalised directly or indirectly to projects. Examples of the types of cost which require capitalisation are the employment costs of salaried employees who have managed capital works.

As a result of this, the OWC balance had to be netted back against the original cost centre categories to reflect the appointed operating cost in each cost category. The required adjustments were identified and calculated via a detailed review of the general ledger entries and the original capitalisation journal back up.

2.3 Activity Driven Support Departments

Training, Health and Safety training, Buildings and Site maintenance departments directly support all departments in the appointed business. Costs are collected via activity codes and the department in which it is supporting is retained from location codes (LC).

Using Training as an in-depth example, employees of the company attended an external training course on the new GDPR legislation. When coded into Oracle, a training AC was used along with the LCs of the course attendees. For management accounting purposes, the training activity code allowed the company to report all training costs within a training and development budget. For APR purposes, this method of coding allowed Training and development costs to be returned to the departments which incurred them, where they would be treated under the individual department's allocation methodology.

Of the cost in these Direct Allocation Departments the majority was therefore allocated directly, however a small value of expenditure related to general running costs. Examples of the type of expenditure that would fall into this category included the cost of mobile phones, salaries of management and vehicle costs as these could not be directly attributed to one LC or AC. As such, this expenditure was allocated back over the locations that had incurred the directly attributable costs.

Following on with the Training example above, the company's Training Officer was a salaried role that could not be directly attributed to one price control. As such, we allocated this cost over the LCs that incurred training costs. Simplistically, if Finance, HR and Operations all incurred £10,000 of training and the cost of the company's training officer was £30,000 – each department would have received a third of the salaried cost of the Training Officer, £10,000.

2.4 Departmental Cost Re-allocations

There were several adjustments that were required in order to bring the management accounting departmental structure in line with OFWAT RAG's. Many of these adjustments were required because of costs being held centrally for a variety of reasons.

- Reallocation of employees between departments due to change in activities undertaken in FY22/23
- Appointed Crypto water treatment costs are collected within the Water Quality department by activity codes. These costs need to be attributed wholly to WTM
- Removal of the Innovation fund costs, not to be included in final balance as advised by OFWAT
- Management and Executive Director Bonus Accrual charged back to departments
- Fleet cost centre costs have been allocated over the company's fleet list, which assigns vehicles to the appropriate department

2.5 Direct Departments

The departments that wholly attributable to one price control are then taken direct. The residual departments are those which required allocation over multiple price controls. A full list of these departments can be found in Appendix 1.

2.6 Customer Operations and Rechargeable

Customer operations and rechargeable departments coded expenditure at a Location, Activity and Spare Code level on a job-by-job basis through the company's work management system, Maximo. In this situation, the spare code was used to identify who was completing the works; Direct Labour Operatives (DLO's), Customer Liaison officers (CLO's) or Contractors.

As with the activity driven support departments, a small proportion of expenditure could not be directly attributed to one Spare and/or Activity. For further detail on how this was allocated please refer to appendix 2. Once all expenditure was on a Spare and Activity code, we combined both to identify the price control in which it related to. These Activity and Spare combinations are reviewed annually with operational employees to ensure the accuracy of cost allocation between price controls.

2.7 Planning and Street works

Planning and Street works can be seen as a support department specifically for our CLO's, DLO's and Contractors (CON) completing works on our behalf. The team structure in both regions means that there was an equal split of resources allocated to support CLOs, DLOs and Contractors. In the Cambridge region, the team only supported CLOs and Contractors due to the business not operating a DLO Team however the support split remained equal. This was reflected in the allocation methodology.

Using the CC, we split the departmental costs by region. In SST the costs were equally split over CLOs, DLOs and Contractors. In Cambridge, the costs were split equally between CLO and CON. In the coding structure we allocated to the spare code in order retain the remaining account combinations of costs.

Planning & Street works costs were not coded at an activity level and therefore required allocation to activity codes. Balances on CLO and DLO were allocated to activity codes by the Customer Operations and Rechargeable department Direct Wages spend. For the CON spare balance, we used contractor spend as the nature of contractors means they are not paid via the company's payroll system. Please see appendix 3 for a visual representation.

2.8 CLO Running Costs

Firstly, CLO running costs were reported within the management accounts as CLO Running Costs CAM and SST. Within both, some costs were wholly attributable to TWD. For a full list of these costs please refer to appendix 4.

The remaining costs required allocation. The costs were allocated to activity codes based on the percentage of direct wage spend of CLOs of the Customer Operations, Rechargeable and Planning and Street works departments. This data was obtained from the company's Works Management System, Maximo which is used by the CLOs to book their time to jobs. These activities were wholly attributable to one price control meaning no further allocation was required.

2.9 Control, Automation & Development (CAD)

Maximo captures the time spent by members of the CAD department on an asset-by-asset basis. As each asset within the company can be directly attributable to a price control, the company directly allocated CAD departmental costs based on the actual level of activity within the year. Please refer to the cost driver table for details of the FY22/23 price control splits. This information was extracted from the company's works management systems.

2.10 Pumping Groups and Treatment Works

Pumping Group East (PGE) served the Cambridge region of SSW via 86 supply sites. Each supply site had its individual location code (LC) which allowed costs to be coded at the location which they were incurred. General running costs however were not directly attributable to one supply site and therefore have a general location code (106). These costs required allocation back to the supply sites. Pumping Group north and south serve the South Staffordshire region and consists of 4 general running costs locations codes and 211 supply site locations codes. As with PGE, PGS and PGN coded costs to the individual location's codes, with general running costs coded centrally. Hampton Loade Treatment Works (HLTW) and Seedy Mill Treatment Works (SMTW – also referred to as Northern Treatment Works) served the South Staffs region and were allocated in line with the PGN and PGS Methodologies.

The general running costs were pro-rated over the total spend at each location within the respective pumping group, resulting in all costs sitting on a pumping group site. The power costs at each site were allocated to price controls based on the FY21/22 Average Pumping Head at each site, which is an audited cost driver. The remaining costs are allocated on Gross Modern Equivalent Asset (MEA) values on a per site basis.

2.11 Finance & Billing

Costs for sales ledger team were collected within the Finance cost centre using the location code (Y05). These costs were wholly attributed to Treated Water Distribution. Finance was allocated to price controls using the FY22/23 FTE percentage as a general and support department.

2.12 Waterboard

Adjustments made to the Waterboard cost centre are summarized in the table below.

Cost	Allocation Methodology
I/C Cross charges out	Echo Building – Retail
Cumulo Rates	Split on Gross Modern Equivalent Asset (MEA) Valuation of business units. All rates' costs are included within the Local authority rates lines.
Insurance Premiums	<p>The insurance premium was allocated based on the individual elements as follows:</p> <p>Material Damage/Business Interruption – MEA per business unit</p> <p>Combined Liability / Excess Layer - 100% Treated Water Distribution</p> <p>Employer's Liability – based on FTE's.</p> <p>Trustees Liability – WCPS members per business unit</p> <p>MD/BI Terrorism / Crime / Engineering Inspection – MEA per business unit</p> <p>Chlorine Leakage (SUD) – 100% Water Treatment</p> <p>Contract Works, Machinery Movement and Hired in Plant – Percentage of plant hire spend within each business unit.</p> <p>Motor Trade – No of vehicles per business unit</p> <p>Broker Fees – allocated to each business unit based on the total splits above plus Motor Fleet insurance split by number of vehicles per business unit. (The actual Motor Fleet insurance premium was charged to each individual department using the number of vehicles and was therefore allocated to the business units along with the other costs of the department).</p>
Insurance Excess	100% Distribution
All other costs	FTE

2.13 Site Central

Site Central was composed of costs for Green Lane offices (SSW) and Fulbourn Road offices (CAM), which could be identified using the location code. Green Lane was split into the following areas using the approximate m²:

- Childcare facilities– 86 m²
- Echo – 2,574 m²
- Fleet – 853 m²
- Group – 650 m²
- IWS – 1,858 m²
- Restaurant – 347 m²
- Stores – 1,821 m²
- Water Company – 3,044 m²

Echo provides customer contact, billing and debt collection for South Staffs Water. IWS (Integrated Water Services provide pump refurbishment activity for South Staffs Water).

Based on the actual running costs for Green Lane a cost per m² was calculated. The costs for Site Central were allocated to these areas using floor space multiplied by the m²unit rate. The cost in each area was then allocated to the business units based on the following cost drivers:

- Busy Bees – FTE
- Echo – 100% Retail
- Fleet – No of vehicles in each unit
- Group – FTE
- IWS - Percentage of spend with IWS in each business unit.
- Restaurant – FTE
- Stores – Material Spend without chemicals in each business unit.
- Water Company – FTE

Rates for the Echo building and Fleet Services building were charged direct; therefore, no rates allocation had been made to Echo (100% Retail) or Fleet (allocated on the number of vehicles in each unit)

2.14 Procurement & Stores

Procurement and Stores cost centres are allocated on the total material spend and total material spends excluding chemicals respectively. We use total material spend for Procurement as they manage the procurement of all materials from contract to order to delivery. This is the same with stores however as chemicals are delivered straight to the required site, we exclude this type of spend. Due to the cost driver, this is one of the final allocations to price controls.

2.15 Creative Studio

Creative Studio is a cost centre within the company who are responsible for the management of our websites, publications, and internal communications. They also spend a large proportion of their time supporting the Customer Service team with advertising and customer communications. For example, in FY22/23 they have supported in the production of the company's TV advertisement and its promotion. As such, the costs incurred within this cost centre have been apportioned to price controls based on a management judgement of time. Please see cost driver table for latest assumptions.

2.16 Central Admin / Executive Directors

The Central admin cost centre primarily contains centralised admin costs for all departments across the business and the employment costs of the executive director's personal assistants (PA's). As such, the company has allocated this cost centre in line with executive directors cost splits.

2.17 Full Time Equivalent (FTE) Allocation

Childcare, Health & Safety, Human Resources (HR), Security and Social Club are examples of departments which were allocated using the FY22/23 FTE Cost Driver. In addition, an element of cost from the Finance and Waterboard departments was allocated using the FTE Cost Driver, however adjustments were required first. Please refer to the Finance and Waterboard sections within 'Preparing the Annual Performance Report' Chapter for further explanation.

The FTE cost driver was calculated using payroll and HR system data and the company's departmental structure. This allowed the direct FTE to be taken to each price control, and the indirect departments that require allocation to be allocated in line with the cost allocation methodology.

Where department costs were allocated by FTE, their FTEs were excluded from the calculations. As noted from the OWC notes above, some departments costs were capitalised through OWC and where this was the case, the company adjusted the costs to reflect only the operating element. For consistency, this approach was replicated in the FTE calculation. In addition, where employment costs were recharged to non-appointed activities in the cost allocation model, this was replicated in the FTE calculations for those individuals.

This resulted in an Appointed Operating FTE % per price control.

2.18 Cost Drivers

Cost Driver	WRE	RWS	RWD	WTM	TWD	Retail
Full Business FTE	9.52%	0.03%	2.31%	10.00%	69.03%	9.10%
Wholesale FTE	10.55%	0.03%	2.41%	10.12%	76.89%	N/A
Gross Modern Equivalent Asset (MEA) Values	29.5%	0.00%	15.80%	19.70%	35.00%	N/A
Total Material Spend	1.68%	0.00%	0.47%	84.24%	13.33%	0.27%
Total Material Spend excluding Chemicals	7.71%	0.00%	2.08%	21.05%	67.75%	1.42%
Control, Automation & Development	24.48%	0.00%	0.12%	56.53%	18.87%	0.00%
Plant hire Spend	12.23%	0.00%	3.19%	13.57%	71.00%	0.00%
% of Spend with IWS	24.47%	0.00%	0.00%	18.66%	56.87%	0.00%
APH						
Creative Studio – Management Estimate	75% (allocated to PC on WHS FTE)					25%

3. Table 4J – Wholesale Totex Analysis Water

3.1 Ofwat defined cost categories.

At this stage all costs were allocated to price controls, however they still remain in SSW's Income statement cost categories. The below table identifies how costs have been directly allocated to Ofwat Table 4J table.

Income Statement Category	Table 4J Category
Associated Companies	Other operating expenditure - excluding renewals
Employment Costs	Other operating expenditure - excluding renewals
Hired and Contracted Services	Other operating expenditure - excluding renewals
Infrastructure Renewals (IRE)	Other operating expenditure - renewals expensed in year (non-Infrastructure)
Infrastructure Renewals (IRE)	Other operating expenditure - renewals expensed in year (Infrastructure)
Intercompany Costs	Other operating expenditure - excluding renewals
Local Authority Rates	Local Authority and Cumulo Rates
Materials and Consumables	Other operating expenditure - excluding renewals
Other Direct Costs	Other operating expenditure - excluding renewals
Power	Power
Provisions and Charges	Other operating expenditure - excluding renewals

3.2 Abstraction Charges / Discharge Consents

These costs were identified using the coding in the final TB as a result of these activities having their own specific subjective Codes (1700 and 3190 respectively). Abstraction Charges were wholly attributed to Abstraction Licenses within Water Resources. Discharge Contents were wholly attributed to Water Treatment.

Bulk Supplies

Costs relating to Bulk Supplies could also be directly identified using the coding in the final TB. As SSW imports potable water only, an allocation between WR and WT was required. The company used the Table 4D Water Resources and Water Treatment cost splits for the respective water companies who supplied SSW with Bulks in FY22/23 to allocate the cost.

3.3 Third Party Services

Costs attributable to this category were derived from multiple activities at SSW, which could be identified using the account combinations in the final TB. This includes the following:

- Fluoridation
- Customer Rechargeable works
- Distribution Rechargeable works
- Standpipe Hire
- Bulk Supplies

These costs have been removed from the expenditure lines and classified as 3rd Party operating expenditure, as per the Ofwat Table. Where salaried employees work on 3rd party operating expenditure, their proportion of time is reallocated to third party operating expenditure. The remaining costs have been identified from allocations.

3.4 Infrastructure Renewals

Infrastructure Renewals (IRE) was reported gross within the tables and was directly allocated between Infrastructure and Non-infrastructure. Using Ofwat Guidance, IRE expenditure was directly classified between the two categories allowing for direct allocation.

3.5 Wholesale Upstream Services

This section sets out how the company allocated costs between Water resources and Network+. The company's methodology statement above has been used as a basis for separating these costs.

3.5.1 Water Resources

Water resources is a summation of Abstraction Licenses and raw water abstraction activities which have been identified from the company's accounting separation tables.

3.5.2 Raw water Transport and Storage

Raw water storage - This was the cost of operating and maintaining the company's raw water storage Reservoirs. This is only Chelmarsh as Blithfield is filled by catchment and thus classified as in WRE. These costs were identified using the location code in the final TB for these reservoirs.

Raw Water Transport - This was the total Raw Water costs taken from the companies Accounting Separation tables less the costs of raw water storage.

3.5.3 Water Treatment

This was the total Water Treatment costs taken from the company's Accounting Separation.

3.5.4 Treated Water Distribution

This was the total Treated Water Distribution costs taken from the company's Accounting Separation.

4. Table2C – Cost Analysis Household Retail

4.1 Introduction

No allocation is made between Non-Household (NHH) and Household (HH) customers as the company only manage HH customers.

For Tables 2C, the retail price control must be allocated from Income Statement categories into Ofwat defined lines and from a Retail total into Measured HH and Unmeasured HH Elements. The retail costs mainly comprised of: The Echo Contract, Bad Debt Provision, Customer Services Retail Departmental costs, Retail related activity costs derived from retail activities undertaken by CLO's, DLOs or Contractors and Aptumo (the company's replacement for Rimilia and Rapid, also a software as a service (SAAS) system).

4.2 Cost Category Allocation

Echo provides a detailed breakdown of the contract costs, allowing the direct allocation into Table 2C categories. The bad debt provision was by nature wholly attributable to Doubtful Debts. Based upon the responsibilities of the Customer Service Retail Team, the remaining costs in this cost centre are wholly attributed to General and Support Expenditure. Finally, the activity driven element of retail costs was directly allocated to the relevant lines dependent upon the activity code. This balance was derived from the Retail elements of CLO Running Costs, Customer Operations and planning and street works. This was feasible due to the company's work management system mapping specific activities to specific activity codes which in turn map into Ofwat defined categories.

4.3 Demand Side Water Efficiency

In addition to our normal demand side efficiency schemes, our Education Outreach Officer implemented demand side water efficiency initiatives within local schools to promote water efficiency and water awareness. A proportion of this employee's time, as well as an element of management time, was allocated to Demand side water efficiency using time-based drivers.

4.4 Customer Side Leak Repairs

Customer Side leak repairs were collected in the Customer Leakage cost centre, allowing SSW to easily identify expenditure incurred on Customer Side Leak Repairs. As a result, the departmental cost was wholly attributed to this cost category. The expenditure is 100% funded by the Wholesale price controls due to a business decision to target Leakage as one of the company's ODIs.

5. Fixed Asset Tables

The fixed assets and depreciation in the cost allocation tables used historical cost information. With all fixed asset information taken directly from the fixed asset register within Oracle. Each asset was coded directly to a department which identified the price control it was used in, with the exception of Water Resources. Water Resources assets were identified by taking the balance sheet figures for boreholes and assets for Blithfield. These were identified from the fixed asset register for South Staffs Region. For the Cambridge Region all assets with the description "Boreholes" were extracted from the fixed asset register.

All retail fixed assets were coded directly to one department and therefore could be identified separately to wholesale assets. All of these assets are allocated to household as the Company exited the non-household market.

The Company confirms that it followed the principal use rules set out in RAG 4.11. Shared assets between wholesale and retail were wholly recorded in the business unit of principal use. All shared assets identified were principally used by wholesale and a proportion of the depreciation cost was recharged between wholesale and retail.

The recharge from wholesale to retail in the year of £0.284m related to the use by retail of the Company's Works Management System. Around 10% of the system use was in relation to customer contact, customer appointments and updating the Company's billing system, RAPID/Aptumo.

The recharge from Retail to Wholesale in the year of £0.013m related to the use by wholesale of the Company's customer billing system Aptumo. Around 10% of the system use was in relation to updating the Company's Works Management System, Aptumo.

6. Analysis of Significant Movements (>10%)

6.2 2C.2 – Debt management

We took the decision to upgrade our billing and collections system, moving from Rapid to Aptumo – a billing, debt and customer management platform, and Software-as-a-Service (SaaS) product – to support a ‘right first time’ customer experience. This platform will enable us to deliver our commitments to our customers in a more efficient way while optimising our reporting to better improve our performance. We went live in February 2023, after a seven-month delay because of the cyber-attack. This has had a impact on recovery.

Aptumo costs have been allocated based on the manpower being the driver for its use. This is a change in methodology from the previous year.

2C.3 – Doubtful debts

During the year the Company performed a one-off review of its Household customer base and identified 20,000 predominantly unmeasured properties where the last recorded contact was over two years ago. It was noted that the lack of contact may imply the incorrect occupant being billed or there are no occupants at the property, or the property was empty and should be categorised as “void”. The Credit Reference Agency review confirmed, of the 20,000 initial population, a total of 4,904 properties were subsequently confirmed to be unoccupied so moved to void status. As these properties had not previously been identified as void, in prior years bills had been issued and revenue continued to be recognised. As the properties are now known to have been vacant, this revenue should not have been recognised and a prior year adjustment has been calculated. Making this adjustment also had an effect in reducing the bad debt provision. In the Annual Report and accounts this has been treated as a prior year restatement.

2C.4 – Meter reading

Since the cyber-attack one of our systems which automates the meter reading process has been unavailable. This has meant that all meter readings in our Cambridge region are having to be completed manually and on paper. This has impacted the efficiency of the meter reading process and has increased the number of instances where it has not been possible to take a reading, so higher volumes of bills have been estimated.

2C.10 – Depreciation (tangible fixed assets) on assets acquired after 1 April 2015

During the year a number of assets finished depreciating. Following a review of the Company’s historic practice of including software assets within Tangible fixed assets, software assets have been reclassified to a separate Intangible asset note and the amortisation is now included within Amortisation (intangible fixed assets) on assets acquired after 1 April 2015

2C.12 – Amortisation (intangible fixed assets) on assets acquired after 1 April 2015

Following a review of the Company's historic practice of including software assets within Tangible fixed assets, software assets have been reclassified to a separate Intangible asset note.

6.3 4J.1 - Power

Demand for water was higher, and subsequently so was energy usage. A consequence of this higher energy use was the requirement to purchase additional blocks of energy. However, the periods at which we purchased additional energy was when they were at their peak due to the geopolitical status in Europe and the ongoing conflict in the Ukraine.

6.4 4J.4 – Renewals expensed in year (infrastructure)

Renewals expensed in year (infrastructure) increased from the previous year due to increased work for HS2.

6.4 4J.6 – Other Operating Costs

In general, it is worth noting that there have been inflationary costs pressures and increases across all areas of expenditure. CPI remained above 8% throughout the year and was at its highest point in over 30 years. Specifically, chemical costs are £3m higher than the prior year, mainly linked to the higher energy costs associated with producing the key chemicals required for water treatment.

Exceptional items are included - £2.2m of costs in the year.

Hot/dry periods in the summer in both Cambridge and South Staffs, coupled with extreme periods of cold weather in early December led to an 80% increase in resource in the CAM region and 60/80% increase in the South Staffs region. This increased costs from the prior year by £3.3m

6.3 4J.9 - Other abstraction charges / discharge consents

The EA have brought in a new charging mechanism following a review of abstraction licence charging. This means that charges are now based on the type of abstractor (e.g., water company, agriculture etc), the volume of water abstracted and the status of the waterbody the water is being abstracted from. As a result, our abstraction charges have been updated and the higher costs reflect the large abstraction at Hampton Loade off the River Severn, plus the status of the waterbodies in the Cambridge region.

7. Definition of Terms

SSW – South Staffordshire Water, a group company of South Staffordshire PLC.

CAM – Cambridge Region

SST – South Staffordshire Region

SOPF – Statement of Financial Position, previously known as the Balance Sheet

Oracle – The Company’s Financial Management System

Maximo – The Company’s works management system

Measured – A water customer whose bill was calculated based on volumetric usage measured by a water meter

Unmeasured – A water customer whose bill was calculated based on a schedule of rates, regardless of usage

RAGs – Regulatory Accounting Guidelines issued by Ofwat.

Price Controls – Wholesale and Retail markets as defined by OFWAT. Retail price control splits into non-household (NHH) and Household (HH) business units while Wholesale price control splits into Treated Water Distribution (TWD), Raw Water Distribution (RWD), Water Resources (WR) and Water Treatment (WT) business units

Departments – functions of the business where costs are charged for management accounting purposes. A full list of SSW’s business units with accompanying price controls can be found on page 4-5

Account Combination – At SSW our account structure is a combination of 5 codes creating a 15-digit account number. The 5 combinations are as follows:

Company Code	Location Code	Activity Code	Subjective Code	Spare Code
XX	XXX	XXX	XXXX	XXX

Company Code (CC) – 2-digit code which identifies the company in which the posting relates.

Location Code (LC) – 3-digit code which identifies the physical location where the cost / revenue was incurred / earned.

Activity Code (AC) – 3-digit code which identifies the activity in which has generated such cost / revenue.

Subjective Code (SC) - 4-digit code which identifies the type of cost / revenue and allows for Income Statement categorisation.

Spare Code – A spare 3-digit code that allows for further enrichment of cost / revenue data.

WCPS – Water Company Pension Scheme

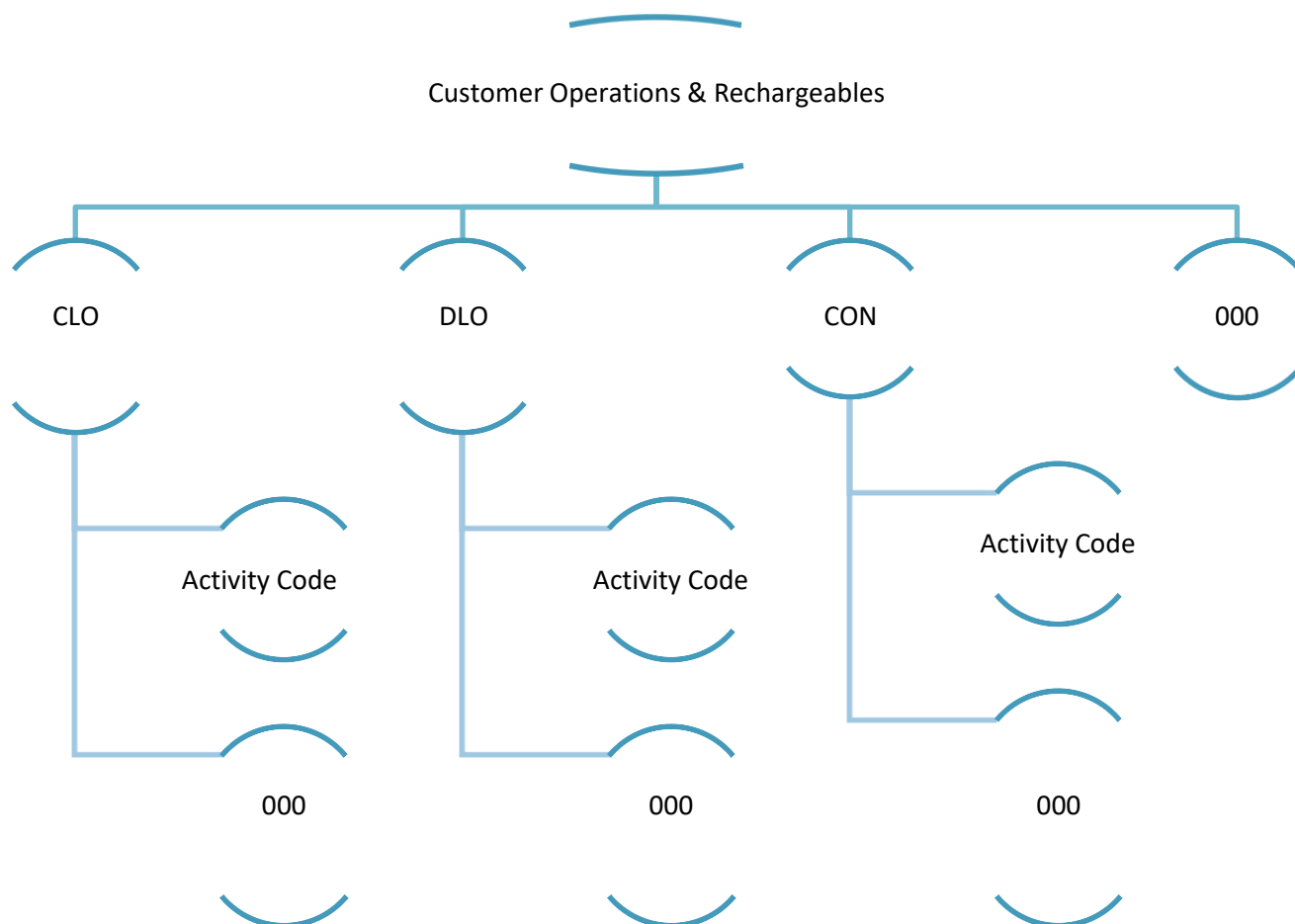
8. Appendix 1

Department Name	Price Control / Cost Allocation Methodology
Customer Services Retail	Retail
AIS Asset Management Planning-WHS Cambridge Depots Computer Development Customer Leakage Customer Services Developer Services Distribution Rechargeable DLS DMA DLS Mains DLS R&D DLS Rehab DLS Reinstatement Team DLS Running Costs Fradley Depot Leakage Operations Leakage Strategy Mains Rehab Major Capital Projects Network Engineering Network Modelling Network Performance Power generation	Treated Water Distribution

Service Development Technical Department Tipton Department Water Quality Water Regulations Water Supply	
Blithfield Education Centre Blithfield Project Water Resources Water Strategy	Water Resources
Appointed Crypto Chemicals Fluoride Water Treatment	Water Treatment
CLO Running Costs Customer Rechargeable Customer Operations Street works Operational Maintenance	Activity Allocation
Capital Investment Delivery Over Ground Asset Management	Capital addition in the year
Building Health & Safety Training Site Maintenance Training & Development	Activity Support Allocation

Regulation	Equal split over Water Only Price Controls
Estates	Equal split between WRE and TWD
Site Central	Floor Space
Childcare Finance Health & Safety HR Restaurant Security Social Club Unallocated Water Board	FTE
Central Admin	Waterboard Directors Time
Creative Studio	Management Judgement of time
Procurement	Materials Spend
Stores	Materials Spend exclusive of chemicals
Control, Automation & Development	Maximo Allocation
Fleet Services	Number of Vehicles
Hampton Loade / Northern Treatment Works Pumping Group East, North and South	Pumping Groups and Treatment Works
Production Strategy	Average Pumping Head

9. Appendix 2



Expenditure is split by the Spare Code. In the South Staffordshire Region, any balance on 000 is allocated back across CLO, DLO and CON based on Spend as follows:

$$000 \times (CLO / (CLO + DLO + CON))$$

$$000 \times (DLO / (CLO + DLO + CON))$$

$$000 \times (CON / (CLO + DLO + CON))$$

In the Cambridge Region however, it is only prorated over CLO and CON due to the company not operating a DLO team in Cambridge.

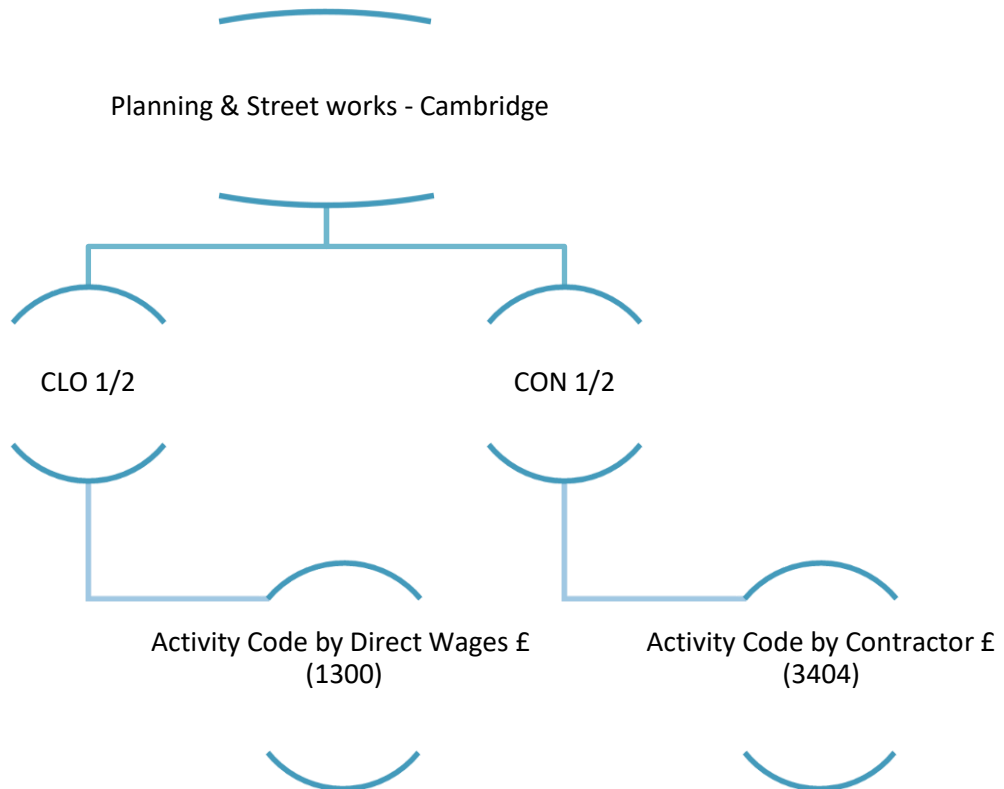
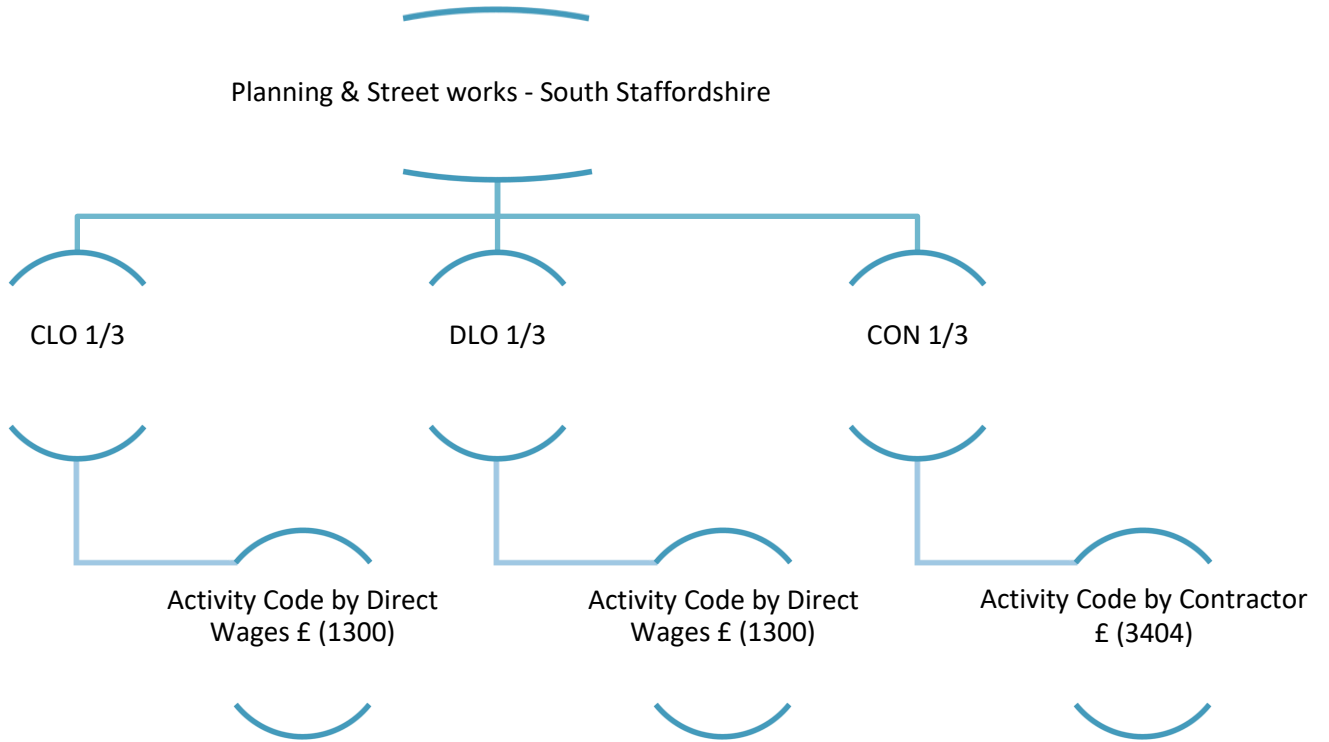
Secondly, CLO, DLO and CON balances are split out by the Activity Codes. Any Balance on 000 is allocated over the Activities based on Spend.

$$000 \times (\text{Activity 1} / (\text{Sum of All Activities excl. 000}))$$

$$000 \times (\text{Activity 2} / (\text{Sum of All Activities excl. 000}))$$

$$000 \times (\text{Activity 3} / (\text{Sum of All Activities excl. 000}))$$

10. Appendix 3



11. Appendix 4

