

**Section E          Operating Costs and Efficiency**  
**Table 1            Activity Based Costing - Water Service**

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| <b>E1.1</b> | <b>Employment costs</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The sum of the total costs of "non-manual and manual manpower" which are directly attributable to each of the individually identified service activities: Water resources and treatment, Water distribution and Water service total. To be included are the gross salaries and wages of all employees within the relevant activity, including payments resulting from bonus and profit-related payment schemes, employer's 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.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:**

|                    |         |                   |      |
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| <b>Ofwat</b><br>07 | T21, L1 | <b>WICS</b><br>06 | E1.1 |
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| <b>E1.2</b> | <b>Power</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** All energy costs, including the climate change levy, other than energy used for transport and energy costs associated with the provision of depots and offices - which are included in General and support activities - which are directly attributable to each of the individually identified service activities: Water resources and treatment, Water distribution and Water service total.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:**

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| <b>Ofwat</b><br>07 | T21, L2 | <b>WICS</b><br>06 | E1.2 |
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| <b>E1.3</b> | <b>Hired and contracted services</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** All hired and contracted equipment and services, which are directly attributable to each of the individually identified service activities, Water resources and treatment, Water distribution and Water service total. (Hired services excludes the hire of vehicles and plant, which is included in General and support activities). Contracted services includes all contracted labour; professional advice (such as lawyers and consultants); computer software; and local authority contracts for the collection of water and sewerage charges.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.4</b> | <b>Materials and consumables</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** All materials and consumables that are not in Hired and contracted services which are directly attributable to each of the individually identified service activities: Water resources and treatment, Water distribution and Water service total. 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.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.5</b> | <b>Service charges by SEPA</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total cost of service charges by SEPA (Scottish Environment Protection Agency) for water abstraction which are directly attributable to individually identified service activities: Water resources and treatment, Water distribution and Water service total.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.6</b> | <b>Bulk supply imports</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total payments for imported bulk supplies which are directly attributable to individually identified service activities: Water resources and treatment, Water distribution and Water service total.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.7</b> | <b>Other direct costs</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** 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), also include fines and penalties, which can be directly attributable to individually identified service activities: Water resources and treatment, Water distribution and Water service total.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.8</b> | <b>Total direct costs</b> | <b>£m</b> | <b>3dp</b> |
|-------------|---------------------------|-----------|------------|

**Data Definition:** The total direct costs attributable to individually identified service activities: Water resources and treatment and Water distribution.

**Processing Rules:** The sum of lines E1.1 to E1.7.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.9</b> | <b>General and support costs</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** 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;· personnel;· financial;· legal and property management;· research and development;· policy determination, implementation and monitoring;· audit;· public and employee relations;· data processing.

Where an associated company provides such services, 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 water resource and treatment and water distribution as general and support expenditure.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07 

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| T21, L11 |
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 WICS 06 

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| E1.10 + E1.11 |
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| <b>E1.10</b> | <b>Functional expenditure</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The direct costs incurred in the provision of each of the individually identified service and business activities, plus in each case an allocation of direct costs incurred in the provision of General and support activities.

**Processing Rules:** The sum of lines E1.8 to E1.9

**Previous References:** Ofwat 07 

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| T21, L12 |
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| E1.12 |
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| <b>E1.11</b> | <b>Customer services</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total costs directly associated with customer services, except for depreciation.

Include customer accounting, the reading of meters, debt recovery and the costs of disconnections, customers' enquiries relating to tariff matters and charging/billing, and complaints handling. (The costs incurred within Water distribution in dealing with complaints other than those related to tariff charges and charging/billing should be recorded within that activity). The cost of billing services purchased should be included but the costs of services provided for third parties excluded. For these purposes, the latter costs should be estimated, and adjustments made to the appropriate headings (and compensating adjustments made under Services provided for third parties). See RAR 4 for further description of activities.

**Processing Rules:** Input field.

**Previous References:** Ofwat 07 

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| T21, L13 |
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 WICS 06 

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| E1.13 |
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| <b>E1.12</b> | <b>Scientific services</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total costs directly associated with scientific services except for depreciation.

Include the costs of scientific and laboratory services, and of the monitoring of quality. The cost of such services purchased should be included but 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). See RAR 4 for further description of activities.

**Processing Rules:** Input field.

**Previous References:** Ofwat 07 

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| T21, L14 |
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| E1.14 |
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| <b>E1.13</b> | <b>Other business activities</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total costs directly associated with other business activities except for depreciation.

This should include the cost of regulation, including all incremental managerial costs of regulation associated with a Strategic Review of Charges, licence fees payable to WICS and Scottish Executive in respect of regulation; and staff and associated costs incurred in the preparation of submissions to, and liaison with, regulators (Note: SEPA charges are included under the operational activities).

**Processing** Input field.

**Rules:**

**Previous References:** Ofwat 07 T21, L15 WICS 06 E1.15

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| <b>E1.14</b> | <b>Total business activities</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Cost of total business activities except for depreciation.

**Processing** The sum of lines E1.11 to E1.13

**Rules:**

**Previous References:** Ofwat 07 T21, L16 WICS 06 E1.16

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| <b>E1.15</b> | <b>Local authority rates</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The cost of Local Authority rates. This should include both the Uniform Business Rate and the National Non-Domestic Rate (if appropriate), including cumulo rates for water supply.

**Processing** Input field.

**Rules:**

**Previous References:** Ofwat 07 T21, L17 WICS 06 E1.17

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| <b>E1.16</b> | <b>Doubtful debts</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The charge/credit to the income and expenditure account for bad and doubtful debts.

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.17</b> | <b>Total Exceptional items</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Exceptional items are defined in FRS3 'Reporting Financial Performance.'

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.18</b> | <b>Total opex less third party services</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total operating expenditure less third party services

**Processing Rules:** The sum of E1.10, E1.14, E1.15, E1.16 and E1.17

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.19</b> | <b>Third party services - opex</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The operating costs of providing water services to third parties, to include: - rechargeable works; bulk supplies of raw or treated water to other agencies; non-potable water; water main diversions and repairs to customers' supply pipes

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.20</b> | <b>Total operating expenditure</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total operating expenditure

**Processing Rules:** The sum of E1.18 and E1.19

**Previous References:** Ofwat 07 

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| T21, L22 |
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 WICS 06 

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| E1.26 |
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| <b>E1.21</b> | <b>Reactive and planned maintenance infrastructure</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The reactive and planned maintenance expenditure on water infrastructure assets, for each of the individually identified service activities, Water resources and treatment, Water distribution and Water service total included in operating expenditure.

This should include expenditure on: burst repairs; flushing, scrubbing and air scouring; leakage control activities and leak repairs; valve, hydrant and meter maintenance/replacement; communication pipe and stop tap replacement; provision of meter boxes associated with the above; and reactive and planned maintenance on aqueducts and dams.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07 

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| T21,L23 |
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 WICS 06 

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| E1.27 |
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| <b>E1.22</b> | <b>Reactive and planned maintenance non-infrastructure</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The reactive and planned maintenance expenditure on water non-infrastructure assets, for each of the individually identified service activities, Water resources and treatment and Water distribution included in operating expenditure.

This should include expenditure on: planned routine and reactive servicing of pumping plant; planned routine and reactive maintenance of treatment works and instrumentation; service reservoir dosing; buildings and ground maintenance; and contracts for maintenance of computer equipment.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07 

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| T21,L24 |
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| E1.28 |
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| <b>E1.23</b> | <b>Infrastructure depreciation charge</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Infrastructure renewals charge, excluding any part which relates to infrastructure assets which are not used for third party services.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

|              |   |           |            |
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| <b>E1.24</b> | <b>Non-Infrastructure depreciation charge</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Non-infrastructure depreciation charge on tangible fixed assets, for each of the individually identified service activities, Water resources and treatment, Water distribution and Water service total. Note that this figure is not net of the amortisation of deferred credits and intangible assets, which are shown separately on lines E1.25 and E1.26.

**Processing Rules:** Input field. Column 'Water service total' is calculated as the sum of the input columns

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.25</b> | <b>Amortisation of deferred credits</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The amortisation of deferred credits arising from third party contributions on non-infrastructure assets. These are amortised over the life of the related asset.

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.26</b> | <b>Amortisation of intangible assets</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Any amortisation or other reduction in the balance sheet valuation of intangible assets, such as goodwill.

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.27</b> | <b>Business activities depreciation charge</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** The asset depreciation at the aggregate level for each service, attributable to the assets used in the business activities, i.e. customer services, scientific services and other business activities (lines E1.11- E1.13).

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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| <b>E1.28</b> | <b>Capital maintenance less third party services</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Capital maintenance less capital maintenance charges in respect of third party services.

**Processing Rules:** Sum of E1.20 to E1.27

**Previous References:** Ofwat 07  WICS 06

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|--------------|--|-----------|------------|
| <b>E1.29</b> | <b>Third party services - depreciation</b> | <b>£m</b> | <b>3dp</b> |
|--------------|--|-----------|------------|

**Data Definition:** Asset depreciation on assets relating to third party services, together with any infrastructure depreciation charge for infrastructure assets relating to third party services.

**Processing Rules:** Input field.

**Previous References:** Ofwat 07  WICS 06

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|--------------|----------------------------------|-----------|------------|
| <b>E1.30</b> | <b>Total capital maintenance</b> | <b>£m</b> | <b>3dp</b> |
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**Data Definition:** Total capital maintenance (including capital maintenance in respect of third party services).

**Processing Rules:** Sum of E1.28 and E1.29

**Previous References:** Ofwat 07  WICS 06

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|--------------|------------------------------|-----------|------------|
| <b>E1.31</b> | <b>Total operating costs</b> | <b>£m</b> | <b>3dp</b> |
|--------------|------------------------------|-----------|------------|

**Data Definition:** Total operating costs.

**Processing Rules:** Sum of E1.20 and E1.30

**Previous References:** Ofwat 07 



 WICS 06