



WATER INDUSTRY COMMISSION FOR SCOTLAND

RULES AND GUIDELINES FOR THE ANALYSIS OF OPERATING COSTS AND ASSETS

REGULATORY ACCOUNTING RULE 4

Operative: Financial Year 2010-11

Version 7.0 March 2011

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PART ONE– EXPLANATORY NOTE

1.1 Introduction

- 1.1.1 This Regulatory Accounting Rule (“RAR”) covers the form, content and principles of the analysis of operating costs and tangible fixed assets to be produced as part of Scottish Water’s current cost accounts. 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 rule. Part 3 - the rule itself - describes the activities of Scottish Water, defines the required analysis of costs, revenues and fixed assets, and specifies the information to be provided with respect to allocations and apportionments. Appendix 1 comprises pro formas; Appendix 2, detailed definitions of Scottish Water’s activities, and Appendix 3 detailed definitions of activity costs.

1.2 Objectives

- 1.2.1 The analysis of operating costs and tangible assets detailed in this document is designed to facilitate:
- the comparison of the total costs, operating costs and fixed asset costs incurred in fulfilling the functions of the Water and Sewerage activities of Scottish Water with those of England and Wales;
 - a basis for the allocation of costs and fixed assets between the core and non-core and retail and wholesale activities of Scottish Water; and
 - to provide an analysis of cost and asset variations, and trends in information reported.
- 1.2.2 The first objective requires the specification of a procedure to ensure that fixed assets, operating costs and total costs are calculated consistently between Scottish Water and those of England and Wales; the second and third a disaggregation that permits an exploration of the relationship of the cost revenue and asset components to Scottish Water’s operating and legislative environment.

1.3 Format

- 1.3.1 The analysis will form Tables M18W, M18b, M18WW, and M18bWW of the current cost regulatory accounts submitted to WICS by Scottish Water.
- 1.3.2 The basic format of the analysis is of a subjective disaggregation of the operating costs directly incurred under the range of principle activities performed by Scottish Water, together with an associated analysis of tangible fixed assets. The formats of the submissions are illustrated in Appendix 1.

PART 1 – EXPLANATORY NOTE

- 1.3.3 Each of the activities identified as a column within the submissions represents a primary activity performed by Scottish Water. The rows represent the analysis of the costs and fixed assets of the primary activities. The direct operating costs of the business activities: General and Support, Regulation and Scientific Services are allocated to these primary activities.

PART 2 – DEFINITION OF TERMS

ACTIVITIES

All water services, sewerage services and non-core activities of Scottish Water.

PRIMARY ACTIVITIES

2.1 Core activities

The individually identified (primary) activities which **must** be pursued separately in order to provide water and sewerage services.

2.1.1 Wholesale water service

Water resources & treatment – being further divided into source water and water treatment; and

Water Distribution

2.1.2 Retail water service

The provision of customer services related activities to Household and Non-household customers. Non-household customers are sub-divided into both measured and non-measured. Customer services related activities for non-household customers will fall under the responsibility of the licensed retail body.

2.1.3 Wholesale sewerage service

Sewerage

Sewage Treatment

Sludge Treatment and Disposal

2.1.4 Retail sewerage service

The provision of customer services related activities to Household and Non-household customers. Non-household customers are sub-divided into both measured and non-measured. Customer services related activities for non-household customers will fall under the responsibility of the licensed retail body.

2.2 Non-core activities

Non-core activities are those activities engaged in by Scottish Water which are **not necessary** in order for Scottish Water to fulfil the functions and duties of a water and sewerage undertaker as defined in the Water (Scotland) Act 1980 and the Sewerage (Scotland) Act 1968 or as amended by subsequent legislation.

2.3 Business activities

The activities which can be pursued collectively in order to provide Scottish Water's activities. The individually identified business activities are Scientific Services and Regulation

2.4 Costs

2.4.1 Direct costs

The costs directly attributable to each of the primary activities. Such costs should include apportionments, where such apportionments are necessitated by operational considerations.

PART 2 – DEFINITION OF TERMS

2.4.2 Functional expenditure

The direct costs incurred in the provision of each of the primary activities, plus in each case an allocation of the costs incurred in the provision of General & Support Activities.

2.4.3 Operating expenditure

The total functional expenditure of each of the primary activities, plus in each case the appropriate portion of business activities, local authority rates, doubtful debts, exceptional items, and opex for third party services.

2.4.4 Reactive Maintenance

The costs of reactive maintenance expenditure on core and non core water and sewerage services infrastructure and non-infrastructure assets, for each of the primary activities.

2.4.5 Capital Maintenance

The capital charges for infrastructure renewals and non-infrastructure depreciation on core and non core water and sewerage services infrastructure and non-infrastructure assets, for each of the primary activities.

2.5 Other terms

Other terms are as defined in section 3, or in Appendices 2 and 3 to this rule.

PART 3 – ACCOUNTING RULE

3.1 INTRODUCTION

For the regulatory submission, Scottish Water will be required to analyse operating costs revenues and fixed assets in the manner described in the following sections.

3.2 ANALYSIS OF INDIVIDUAL ACTIVITIES

- 3.2.1 The operating costs incurred by Scottish Water's primary activities should be analysed under the headings listed in sections 3.3, 3.4 and 3.7 and as illustrated in Appendix 1. Include under each heading the direct costs attributable to the relevant primary activity. 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 RAR 2.
- 3.2.2 Scottish Water should include the costs of management, supervision and administration within the individually identified primary activities in so far as such costs can be directly attributed to the activity in question.
- 3.2.3 Scottish Water should identify all the costs of general and support activities within this separate cost category which is more defined in Appendix 3. These costs should be allocated or apportioned across the primary activities and the methods explained.
- 3.2.4 All cost apportionments and allocation methods should be described in an accompanying commentary to the M table submission, as required to supporting rules. Cost apportionments and allocations between core and non core and between retail and wholesale activities are more fully described in RAR 5.

3.3 WATER SUPPLY

3.3.1 Water resources and treatment

All direct costs associated with the sourcing, conveyance and treatment of raw water, including routine maintenance. The cost of bulk water supplies purchased should be included, but the functional costs of bulk water supplied to other water utilities and of non-potable water should be excluded.

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 sourcing/distribution function, an assessment must be made of the costs of each function based on relative pumping head.

Costs should be further sub-divided into sourcing and Treatment and entered into the appropriate columns.

PART 3 – ACCOUNTING RULE

3.3.2 Water distribution

The activity consists of the pumping, storage and conveyance of treated water, including the operation, control and monitoring of the distribution system including routine maintenance.

Where pumps serve a dual sourcing/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.

3.3.3 Retail – Household

This primary activity includes direct customer facing activities such as the handling and responding to customer contacts by telephone, e-mail or postal correspondence, including handling calls relating to wholesale activities, the issuing of bills and collection of revenue including debt recovery and the costs of disconnection, meter reading (if applicable), the maintenance of customer records including the identification of void properties, the calculation and application of water service charges, account management (if applicable), water conservation advice and the advertising, marketing or selling of Scottish Water's water services.

Costs for Household properties only should be included in these columns. Household properties are properties to which a council tax band is applicable

3.3.4 Retail – Non Household

These are retail activities associated with properties to which a council tax band is not applicable. See 3.3.3 for a description of the retail activities.

Activities associated with Retail Non-household activities should be allocated to measured and non-measured activities

Measured: metered, non-household customers.

Non-Measured: non-household customers without a meter.

3.4 SEWERAGE SERVICE

3.4.1 Sewerage

Includes all activities associated with sewerage including routine maintenance. It does not include activities associated with sea outfalls or terminal pumping (ie pumping to treatment works).

3.4.2 Sewage treatment

Includes all activities associated with sewage treatment, including terminal pumping, and routine maintenance. It includes sewage exporting, but excludes the treatment of imported sewage. The costs of the latter should be estimated, and adjustments made to the appropriate subjective lines (and compensating adjustments made under Services Provided for Third Parties).

PART 3 – ACCOUNTING RULE

3.4.3 Sludge treatment and disposal

Includes all activities associated with sludge treatment and disposal, including routine maintenance. (Non-routine maintenance should be charged to Reactive and Planned Maintenance.)

It includes sludge exporting, but excludes 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).

3.4.4 Retail - Household

Includes direct customer facing activities such as the handling and responding to customer contacts either by telephone, e-mail or postal correspondence including handling calls relating to wholesale activities, the issuing of bills and collection of revenue including debt recovery and the costs of disconnection, meter reading, (if applicable), the maintenance of customer records including the identification of void properties, the calculation and application of sewerage service charges, account management (if applicable), and the advertising, marketing or selling of Scottish Water's sewerage services.

Costs for Household properties only should be included in these columns. Household properties are properties to which a council band is applicable.

3.4.5 Retail – Non Household

These are retail activity costs associated with properties to which a council tax band is not applicable. The costs of leasing meters should also be included in Retail –Non household.

Activities associated with Retail - Non Domestic activities should be allocated to measured and non-measured activities. See 3.4.4 for a description of the retail activity.

Measured: metered non-household customers.

Non-Measured: non-household customers without a meter.

3.5 BUSINESS SERVICES

3.5.1 Scientific services

Includes 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 heading (and also compensating adjustments made to non core).

PART 3 – ACCOUNTING RULE

3.5.2 Regulation

This includes all activities relating to regulation (except depreciation), including all incremental managerial costs associated with a Strategic Review of Charges, licence fees payable to WICS and the Scottish Executive; staff and associated costs incurred in the preparation of submissions to, and liaison with, regulators. (Note: SEPA service charges are included under the operational activities.) All such activities will fall under core activity headings.

3.6 SERVICES PROVIDED TO THIRD PARTIES

This includes the provision of water or wastewater (as applicable) services to third parties. It includes the provision of bulk supplies of raw or treated water to other water utilities, producing and delivering non-potable water, treating and disposing of imported sewage and sludge, water mains diversion and all rechargeable works.

3.7 NON-CORE ACTIVITIES

3.7.1. Total non-core

Non-core activities include all activities that are not regulated ie. Activities that are **not necessary** in order for Scottish Water to fulfil the functions and duties of a water undertaker as defined in the Water (Scotland) Act 1980 as amended by subsequent legislation and as a sewerage undertaker as defined in the Sewerage (Scotland) Act 1968 or as amended by subsequent legislation.

In general, Non-core activities are those activities for which Scottish Water is not a monopoly supplier (for example the sale of laboratory services to external organisations), or the activity:

- does not utilize core activity assets or resources (eg employees) in order to fulfil the activity; or
- the activity involves the optional use of an asset or resource owned by the core business (eg generating income from forestry).

If there is any uncertainty as to the correct classification of an activity as core or non-core then revenue generated, operating costs and asset values of such activities should be identified, classified consistently in the return tables and described and evaluated in the commentary to the table.

3.8 ACTIVITY COSTING ANALYSIS

3.8.1 Analysis of direct costs

Scottish Water should provide, under each of the activities defined in sections 3.3, 3.4, 3.7 and Appendix 2, an analysis of the direct costs incurred according to the definitions provided in Appendix 3. For each of the individually identified business activity heads identified in sections 3.3, 3.4 and 3.7 Scottish Water 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.

Appendix 3 provides detailed definitions of the direct costs to be included under each activity heading.

PART 3 – ACCOUNTING RULE

3.8.2 Analysis of service costs

Scottish Water should provide, under each of the headings but at the aggregate level for Water Resources and Treatment and Retail Non-household an analysis of the following costs incurred;

- Scientific services
- Cost of regulation
- Local authority rates
- Charges for bad and doubtful debts
- Exceptional items

3.8.3 Analysis of capital costs

Scottish Water should provide, under each of the activity headings defined in 3.3, 3.4 and 3.7 but at an aggregate level for Water Resources and Treatment, and Retail Non-Household a subjective analysis of the capital costs incurred according to the following definitions.

3.8.4 Total capital maintenance

The total infrastructure renewals charge, non-infrastructure depreciation charge on tangible fixed assets, the amortisation of deferred credits, any amortisation of intangible assets, the depreciation charge for business activities and any depreciation relating third party services. Further definitions of these elements are provided in Appendix 3.

3.9 ANALYSIS OF ACTIVITY TANGIBLE FIXED ASSETS

Companies are to identify the current cost of assets (including land) associated with each primary activity as defined in part 2.

The asset values are to be at current cost, calculated according to the Modern Equivalent Asset principle as explained in RAR 1.

3.10 ALLOCATIONS AND APPORTIONMENTS

3.10.1 Allocations

If costs or tangible fixed assets require allocation or apportionment between activities then Scottish Water must allocate or apportion on a basis which best represents the means by which that cost or asset is incurred, earned or utilised.

Scottish Water should explain how costs and assets, related to each of the primary activities and indirect costs (general and support expenditure, exceptional items and other atypical items) are allocated between all primary activities. Thus Scottish Water must explain the basis for allocation of both direct and indirect costs and assets between:

- Opex, capex and capital maintenance;
- Between Water Service Activities;
- Between Sewerage Service activities
- Between Water Service and Sewerage activities; and
- Between Core and Non-core activities

PART 3 – ACCOUNTING RULE

Scottish Water should also clearly state any general allocation rules which have been used by itself, its contractors or agents; e.g. a rule requiring the capitalisation of any expenditure over a set level.

Detailed requirements regarding the allocation and apportionment of costs between core and non-core, core and associated companies and between the retail non-household primary activities and other core activities are more fully explained in RAR 5.

3.10.2 Atypical costs and provisions

Scottish Water must reveal and explain all significant atypical costs which have occurred during the reporting year, regardless of whether or not they are declared as exceptional items. Scottish Water must also confirm the absence of any atypical costs in the commentary to the table. In particular, Scottish Water must disclose:

- Restructuring costs (which includes redundancy payments, pension contributions and consultants' fees);
- Compensation payments (for one-off events, but not standard GMS or customer charter payments);
- Costs attributable to unusual weather conditions;
- Pension holidays;
- Rebates of SEPA or other service charges, including local authority rates.

In addition, Scottish Water must disclose the reasons for any exceptional items, which have been declared and whether they are expenses or provisions for future costs.

Scottish Water must disclose the purpose and amount of any provision included in operating expenditure, and disclose the amount of provision expended or released in the reporting year.

APPENDIX 1 – Pro Forma Primary Activity Submissions

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- M18W** Activity costing submission pro forma – water service
- M18bW** Activity tangible fixed asset pro forma – water service
- M18WW** Activity costing submission pro forma – sewerage services
- M18bWW** Activity tangible fixed asset pro forma – sewerage services

APPENDIX 1 – Pro Forma Primary Activity Submissions

SCOTTISH WATER



Table M18 W: Activity Based Costing – Water Service (Proforma 18 water)

		2010-11														
		NON-CORE / NON-LICENSED				CORE / LICENSED										
Line Ref.	Description	Ofset Ref JR 10	Units	Field Type	Total	WHOLESALE			Water Distribution	Wholesale Core Total	RETAIL			Water Service Core Total	Water Service Total	CG
						Water Resource & Treatment Source	Treat	Total			Retail Domestic	Retail - Non Domestic Metered	Retail - Non Domestic Non Metered			
Service Analysis - Water - Direct Costs																
M18.1	Capital assets	T24,11	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.2	Power	T24,12	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.3	Mixed and unclassified services	T24,14	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.4	Materials and consumables	T24,15	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.5	Services charge SCPR	T24,17	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.6	Both supplies	T24,18	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.7	Central Management		€m	I/C										0.000	0.000	
M18.8	Meter Installation & Installation		€m	I/C										0.000	0.000	
M18.9	Other direct costs	T24,13	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.10	Central Management		€m	I/C	0.000									0.000	0.000	
M18.11	Manage Billing Data		€m	I/C	0.000									0.000	0.000	
M18.12	General & House Bills		€m	I/C	0.000									0.000	0.000	
M18.13	Handle Billing Enquiries		€m	I/C	0.000									0.000	0.000	
M18.14	Handle Billing Enquiries		€m	I/C	0.000									0.000	0.000	
M18.15	Handle Billing Complaints		€m	I/C	0.000									0.000	0.000	
M18.16	Meter Reading		€m	I/C	0.000									0.000	0.000	
M18.17	Cost of Meter Installation & Installation		€m	I/C	0.000									0.000	0.000	
M18.18	Handle Metering Enquiries		€m	I/C	0.000									0.000	0.000	
M18.19	Handling Metering Complaints		€m	I/C	0.000									0.000	0.000	
M18.20	Readiness & Cash Processing		€m	I/C	0.000									0.000	0.000	
M18.21	Cost Management & Bad Debt Charge		€m	I/C	0.000									0.000	0.000	
M18.22	External Debt Recovery		€m	I/C	0.000									0.000	0.000	
M18.23	Disconnections		€m	I/C	0.000									0.000	0.000	
M18.24	Handle Payment Plan Enquiries		€m	I/C	0.000									0.000	0.000	
M18.25	Advertising / Marketing		€m	I/C	0.000									0.000	0.000	
M18.26	Revenue Management		€m	I/C	0.000									0.000	0.000	
M18.27	Manage OSS Payments		€m	I/C	0.000									0.000	0.000	
M18.28	Handle Customer operational calls		€m	I/C	0.000									0.000	0.000	
M18.29	Other Direct Costs	T24,13	€m	I/C	0.000									0.000	0.000	
M18.30	Retail operational costs		€m	S/C										0.000	0.000	
M18.31	IFP operational costs		€m	S/C										0.000	0.000	
M18.32	Total direct costs	T24,18	€m	C	0.000				0.000	0.000				0.000	0.000	
M18.33	General and support costs	T24,14	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.34	Functional expenditure	T24,142	€m	C	0.000				0.000	0.000				0.000	0.000	
Operational Expenditure																
M18.35	Intelligence services	T24,144	€m	I	0.000				0.000	0.000				0.000	0.000	
M18.36	Cost of Regulation	T24,145	€m	I	0.000				0.000	0.000				0.000	0.000	
M18.37	Total business activities	T24,145	€m	C	0.000				0.000	0.000				0.000	0.000	
M18.38	Local authority rates	T24,147	€m	I	0.000				0.000	0.000				0.000	0.000	
M18.39	Bad Debt Charge	T24,148	€m	I	0.000				0.000	0.000				0.000	0.000	
M18.40	Total Expenditure	T24,149	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.41	Total open lease third party services	T24,128	€m	C					0.000	0.000				0.000	0.000	
M18.42	Third party services - open	T24,124	€m	I/C					0.000	0.000				0.000	0.000	
M18.43	Total operating expenditure	T24,122	€m	C	0.000				0.000	0.000				0.000	0.000	
Reactive and Planned Maintenance (included in Opex)																
M18.44	Reactive and planned maintenance infrastructure	T24,123	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.45	Reactive and planned maintenance non-infrastructure	T24,124	€m	I/C	0.000				0.000	0.000				0.000	0.000	
Capital Maintenance																
M18.46	Infrastructure renewal expenditure	T24,125	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.47	Infrastructure renewal general programme	T24,126	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.48	Non-infrastructure depreciation charge		€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.49	Amortisation of deferred assets	T24,128	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.50	Amortisation of intangible assets	T24,129	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.51	Debtors and liabilities depreciation charge	T24,130	€m	I/C	0.000				0.000	0.000				0.000	0.000	
M18.52	Capital maintenance lease third party services	T24,131	€m	C					0.000	0.000				0.000	0.000	
M18.53	Third party services - depreciation	T24,132	€m	I/C					0.000	0.000				0.000	0.000	
M18.54	Total capital maintenance	T24,133	€m	C	0.000				0.000	0.000				0.000	0.000	
M18.55	Total operating costs	T24,134	€m	C	0.000				0.000	0.000				0.000	0.000	

APPENDIX 1 - Pro Forma Primary Activity Submissions

SCOTTISH WATER



Table M18B W: Analysis of fixed assets - Water Service - RAR Proforma 18b (water)

					2010-11																	
					1	2		3	4	5	6		7	8		9	10	11	12		13	14
					NON-CORE/NON-LICENSED	WHOLESALE					CORE / LICENSED											
Line Ref.	Description	Ofwat Ref JR 10	Units	Field Type	Total	Water Resources & Treatment			Water Distributi	Wholesale Core Total	Retail Domestic	Retail - Non Domestic			Water Service Core	Water Service Total		CG	Assets in course of construction			
						Sourcing	Trtmt	Total				Measd	Measd	Total								
Gross replacement cost																						
M18b.1	Grazz replacement cost at 1 April	T25, L1	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.2	Investment plan adjustment	T25, L2	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.3	RPI adjustment	T25, L3	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.4	Disparab	T25, L4	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.5	Additior	T25, L5	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.5a	Re-clarificalior		fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.6	Grazz replacement cost at 31 March	T25, L6	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
Depreciation																						
M18b.7	Depreciation at 1 April	T25, L7	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.8	Investment plan adjustment	T25, L8	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.9	Investment plan adjustment - grazz MEA resolution	T25, L9	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.10	Investment plan adjustment - amendment to remaining useful ean.liv	T25, L10	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.11	RPI adjustment	T25, L11	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.12	Disparab	T25, L12	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.13	Charge for year	T25, L13	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.14	Depreciation at 31 March	T25, L14	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.15	Net book amount at 31 March	T25, L15	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
M18b.16	Net book amount at 1 April	T25, L16	fm	IC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	

APPENDIX 1 - Pro Forma Primary Activity Submissions

APPENDIX 1 - Pro Forma Primary Activity Submissions



SCOTTISH WATER

Table M18 WW: Activity Based Costing - Waste Water Service (Proforma 18 wastewater)

					2010-11														
					CORE / LICENSED														
Line Ref.	Description	Ofset Ref JR 18	Units	Field Type	Total	Sewerage				Wholesale Care Total	Retail Domestic			Retail - Non Domestic			Wastewater Service Care Total	Wastewater Service Total	CG
						Sewerage	Sewerage Treatment & Disposal	Sludge Treatment & Disposal	Retail Domestic		Retail - Non Domestic Heard	Retail - Non Domestic Non Heard	Retail - Non Domestic Total						
Service Analysis - Sewerage: Direct Costs																			
M18.1	Employment costs	T24,13	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.2	Power	T24,12	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.3	Mixed and non-mixed services	T24,14	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.4	Recover charge for PPP activities		£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.5	Interest cost of PPP activities		£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.6	Materials and consumables	T24,16	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.7	Service charges SEP	T24,17	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.8	Contract Management		£m	INC	0.000											0.000	0.000		
M18.9	Meter Maintenance Installations		£m	INC	0.000	0.000										0.000	0.000		
M18.10	Other direct costs	T24,13	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.11	Contract Management		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.12	Manager Billing Data		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.13	General Meter Bills		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.14	Meter Billing Enquiries		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.15	Meter Billing Enquiries		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.16	Meter Billing Complaints		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.17	Meter Billing		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.18	Cost of meter maintenance and installations		£m	INC	0.000					0.000	0.000					0.000	0.000		
M18.19	Meter Metering Enquiries		£m	INC	0.000					0.000	0.000					0.000	0.000		
M18.20	Metering Metering Complaints		£m	INC	0.000					0.000	0.000					0.000	0.000		
M18.21	Recall and Cash Processing		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.22	Call Management and Debt Recovery		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.23	External Debt Recovery		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.24	Disconnections		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.25	Meter Payment Plus Enquiries		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.26	Reconciliation Marketing		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.27	Reconciliation Management		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.28	Manager OSS Enquiries		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.29	Meter Customer operational calls		£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.30	Other Direct Costs	T24,13	£m	INC	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.31	Normal employment costs		£m	INC						0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.32	IT employment costs		£m	INC						0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.33	Total direct costs	T24,118	£m	C	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.34	General and support costs	T24,115	£m	INC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.35	Functional expenditure	T24,112	£m	C	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		
Operating Expenditure																			
M18.36	Initial fit services	T24,114	£m	I	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.37	Cost of Regulation	T24,115	£m	I	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.38	Total business activities	T24,115	£m	C	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.39	Local authority calls	T24,117	£m	I	0.000					0.000	0.000					0.000	0.000		
M18.40	Debt Debt charge	T24,118	£m	I	0.000					0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.41	Total Expenditure	T24,115	£m	INC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.42	Total non local third party services	T24,128	£m	C		0.000	0.000	0.000	0.000	0.000	0.000				0.000	0.000	0.000		
M18.43	Third party services - other	T24,124	£m	INC		0.000	0.000	0.000	0.000	0.000	0.000				0.000	0.000	0.000		
M18.44	Total operating expenditure	T24,122	£m	C	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		
Reactive and Planned Maintenance (included in Opex)																			
M18.45	Reactive and planned maintenance - infrastructure	T24,123	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.46	Reactive and planned maintenance - non-infrastructure	T24,124	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
Capital Maintenance																			
M18.47	Infrastructure - reactive expenditure	T24,125	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.48	Infrastructure - reactive expenditure - operational	T24,126	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.49	Non-Infrastructure - depreciation charge		£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.50	Amortisation of depreciable assets	T24,128	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.51	Amortisation of intangible assets	T24,123	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.52	Depletion - intangible depreciation charge	T24,128	£m	INC	0.000	0.000	0.000	0.000	0.000							0.000	0.000		
M18.53	Capital maintenance - local third party services	T24,131	£m	C		0.000	0.000	0.000	0.000	0.000	0.000				0.000	0.000	0.000		
M18.54	Third party services - depreciation	T24,132	£m	INC		0.000	0.000	0.000	0.000	0.000	0.000				0.000	0.000	0.000		
M18.55	Total capital maintenance	T24,133	£m	C	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		
M18.56	Total operating costs	T24,134	£m	C	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000		0.000	0.000		

APPENDIX 1 – Pro Forma Primary Activity Submissions



SCOTTISH WATER

Table M18B WW: Analysis of fixed assets - Waste water Service - RAR Proforma 18b (wastewater)

					2010-11													
					3	4	5	6	8	9	10	11	12	13	14	15	14	
Line Ref.	Description	Ofwat Ref JR 10	Units	Field Type	NON-CORE/NON-LICENSED	CORE					RETAIL			Sewerage Service Core	Sewerage Service Total		Assets in course of constructio	
					Total	Sewerage	Sewage Treatment	Sludge Treatment &	Wholesale Core Total	Retail Domestic	Retail - Non Domestic		Sewerage Service Core	Sewerage Service Total	CG	Assets in course of constructio		
Gross replacement cost																		
M18b.1	Gross replacement cost at 1 April	T25, L1	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.2	Investment plan adjustment	T25, L2	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.3	RPI adjustment	T25, L3	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.4	Depreciate	T25, L4	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.5	Additions	T25, L5	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.5a	Reclassification		£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.6	Gross replacement cost at 31 March	T25, L6	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Depreciation																		
M18b.7	Depreciation at 1 April	T25, L7	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.8	Investment plan adjustment	T25, L8	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.9	Investment plan adjustment - grass MEA revolution	T25, L9	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.10	Investment plan adjustment - amendment to remain in useful condition	T25, L10	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.11	RPI adjustment	T25, L11	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.12	Depreciate	T25, L12	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.13	Charge for year	T25, L13	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.14	Depreciation at 31 March	T25, L14	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.15	Net book amount at 31 March	T25, L15	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
M18b.16	Net book amount at 1 April	T25, L16	£m	HC	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000

APPENDIX 2 – Detailed Activity Definitions

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 - 1.5 Sewerage services – sludge treatment and disposal
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APPENDIX 2 – Detailed Activity Definitions

CORE ACTIVITIES

1.1 Water supply - resources and treatment

1.1.1 Source Water

Activity	Description
Collect & Impound	Operation, maintenance and control of dams and impounding reservoirs.
Borehole Extraction	Operation, maintenance and control of boreholes and impounding reservoirs.
River & Surface Water Intake	Operation, maintenance and control of river and surface water intakes.
Bulk purchase of raw water	The cost of bulk supplies of raw water from third parties
Raw water pumping	Operation, maintenance and control of raw water pumping to treatment. Excludes boosting to the distribution system. Where pumps serve dual purpose costs of pumping to distribution system should be estimated based on relative pumping head and charged to distribution
Raw water conveyance	Conveyance of raw water to the treatment works, including operation, maintenance and control of aqueducts, valves etc.
Leakage detection and repair	Leakage detection and repair (within the raw water system), including planning and design of work.
Operation and routine maintenance of resources	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.
Catchment management	Routine inspections and investigation of pollution incidents.
Administration management	Administration, supervision and management activities identified and allocated as appropriate.

APPENDIX 2 – Detailed Activity Definitions

1.1.2 Treat water

Activity	Description
Treatment of raw water	Activities associated with treatment of raw water from all sources, including chemicals, sludge and wastewater disposal, inter-process pumping and routine plant maintenance
Bulk purchase of treated water	The cost of bulk supplies of treated water from 3rd parties
Process checks	Process operation and cleaning includes samples, checking dosing levels, process optimisation and validating instrumentation
Deal with chemical deliveries	Taking delivery of chemicals on site including loading into storage
General routine maintenance	General routine maintenance and checks at sites, including quality checks, SCADA checks, security checks, instrument calibration, data recording, maintenance of asset records, and general housekeeping duties
Provide water process advice & support	Provide technical advice on day to day water operational problems with processes including management of operational problems eg supply v demand. Advise on treatment optimisation and conduct audits and investigations. (Advice relating to capital should be allocated to manage the capital programme)
Treatment operatives intersite travel	Travel time between works for operatives performing routine operation and maintenance of water production assets. Excludes travel time for reactive maintenance and electrical/mechanical maintenance
Administration and management	Administration, supervision and management activities identified and allocated as appropriate

APPENDIX 2 – Detailed Activity Definitions

1.2 Water supply – distribution of treated water

Activity	Description
Bulk distribution pumping of water	The pumping of treated water to service reservoirs or for boosting within the bulk distribution system (pipe lines 300mm and above). Includes operation maintenance and control of pumps including cost of power, management, administration, depreciation and interest on capital
Bulk transportation of treated water (incl PRV's)	All activities associated with the conveyance of treated water within the trunk distribution system (pipelines 300mm and above)
Local distribution pumping of water	All activities associated with the pumping of treated water to service reservoirs or for boosting within the local distribution system (pipe lines <300mm).
Local transportation of treated water	All costs associated with the conveyance of treated water within the local distribution system (pipelines <300mm).
Local distribution storage of water	All activities associated with the storage of treated water within the bulk distribution system (pipe lines<300mm).
Monitor water distribution system performance (planned)	Routine monitoring of water networks operations including services reservoirs and pumping stations using telemetry system & INMS. Includes pressure recording, flow measurement and reservoir level reading. Alert Network operations of problems and generating work requests.
Reactive monitoring of water distribution system performance	Reactive monitoring of water network operations as a result of a complaint or known problem, using telemetry system and INMS. Alert network operations of problems, report and generate work requests
Maintain INMS Model Integrity	Review INMS model integrity and request physical investigation to be carried out
Maintain INMS Model Physical Integrity	Boundary valve management, and maintenance of loggers, meters and other collection devices
Leakage detection & repair	Leakage detection and repair of mains including planning and design of work
Mains flushing & scouring	Flushing and scouring of water mains to remove debris
Planned interruptions	Valve operations to facilitate repairs or additions
Secondary chlorination	Addition of chlorine to water supply within the network to maintain water quality
Perform water infrastructure Investigations	Investigate water network performance issues

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Byelaw Inspections	Carry out plumbing inspections for byelaw compliance and advise where necessary
Customer assistance	Provide assistance to customers including turning water supply on and off, issuing bottled water etc.
Mains repairs	Repair burst water mains
Repair of service connections	Repair of maintenance water connection pipes
Repair & maintain PRV's, valves etc	Repair, maintenance, install, replace and remove water main fittings eg PRV's, valves
Service reservoir cleaning	Cleaning & remedial work to service reservoirs
Lead pipe renewals	All costs associated with replacement of lead pipes
Installation & repair of Fire Hydrant	Installation and repair of fire hydrants
Meter installations, maintenance and removal	Installation, repair and exchange of customer meters, including planning and scheduling of work, pre installation survey, design of work and valuation
Administration and management	Administration, supervision and management activities identified and allocated as appropriate
Investigate Water Quality Complaints	Handle water quality complaints relating to colour, taste, smell, presence of foreign bodies or illness due to water. Includes any sampling costs as a result of complaint.
Investigate Water Pressure Complaints	Handle complaints of high or low water pressure
Investigate Water Rising Complaints	Handle complaints of rising water levels
Investigate Fire Hydrant Misuse	Handle complaints relating to vandalism of fire hydrants
Investigate Other Water Supply Complaints	Handle other water supply complaints including lack of supply, intermittent supply, overflow running, airlock, noise in pipe, lack of notification of shutdown and water in gas pipes.
Investigate Water Infrastructure Safety Complaints	Handle water infrastructure safety complaints including dangerous reinstatements, and dangerous, missing, broken noisy or damaged manhole covers.
Investigate metering complaints	Handle metering complaints passed to Wholesale by Retail activity.eg hidden meters. Includes monitoring of complaints resolution

APPENDIX 2 – Detailed Activity Definitions

1.3 Sewerage services - sewerage

Activity	Description
Pump wastewater	All pumping costs associated with the collection of sewage and storm water, excluding terminal pumping costs (costs of pumping to treatment works). Includes operation, maintenance and control of pumps including cost of power
Meter installations, maintenance and removal	Installation, repair and exchange of customer meters, including planning and scheduling of work, pre installation survey, design of work and valuation
Storm overflow and outfall	Operation, maintenance and control of storm overflows/outfalls. Includes SEPA consents
Transport wastewater	Operation, maintenance and control of the sewer network. Includes sewerage wastewater.
Monitor wastewater collection system performance (planned)	Routine monitoring of wastewater network operations using telemetry system and alert network operations of problems
Reactive monitoring of wastewater collect system performance	Reactive monitoring of wastewater network operations using telemetry system and alert network operations of problems, report and generate work requests.
Perform WW infrastructure Investigations	Investigate was to water network performance issues eg sewer backing up
Remove Chokes	Clearance of choked sewers including any rodding, jetting or flushing involved in clearing the blockage
Sewer Repairs	Repair of sewers
Sewer Maintenance	Sewer maintenance including CCTV maintenance examinations, man entry surveys, flushing, jetting and rootcutting to clear debris or silting
Maintain Street Furniture	Maintenance, replacement and installation of manhole covers
Repair of service connections	Repair of sewer connection pipes
Risk based maintenance inspections	Risk based maintenance inspections of CSO's and wastewater pumping stations
Other	Rodent control
Administration and management	Administration, supervision and management activities identified and allocated as appropriate
Investigate Sewer Flooding Complaints	Handle complaints relating to sewer flooding/surcharging and sewer backing up.

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Investigate Odour Complaints	Handle complaints relating to odour
Manage trade effluent consents	Set consent conditions for discharges to sewer to ensure that treatment works operation, health & safety or the environment is not compromised. Monitor discharges on a risk based basis to protect the environment. Provide advice to prevent accidental discharges. Investigate and recover the cost of incidents related to non consented discharges.

APPENDIX 2 – Detailed Activity Definitions

1.4 Sewerage services - sewage treatment

Activity	Description
Treat wastewater at large secondary WWTW's	Operation, control and maintenance of large secondary WWTW's. (Works whose highest processes include biological filtration processes or activated sludge processes). Includes terminal pumping costs
Treat wastewater at large tertiary WWTW's	Operation, control and maintenance of large tertiary WWTW's (Works whose highest processes include tertiary processes and nitrifying filters including sand filters, micro strainers, upward flow clarifiers etc)
Operate and maintain SW septic tanks & outfalls	Operation, maintenance and control of SW septic tanks including the cost of desludging, and outfalls
Treat wastewater at primary WWTW's	Operation, control and maintenance of primary WWTW's works. Includes primary sedimentation process, includes desludging by direct pumping or any other means to the first stage of the sludge treatment process and terminal pumping
Treat wastewater at small secondary WWTW's	Operation, control and maintenance of small secondary WWTW's. (Works whose highest processes include biological filtration processes or activated sludge processes). Includes terminal pumping
Treat wastewater at small tertiary WWTW's	Operation, control and maintenance of small tertiary WWTW's (Works whose highest processes include tertiary processes and nitrifying filters including sand filters, micro strainers, upward flow clarifiers etc)
Provide wastewater process advice & support	Provide technical advice on day to day wastewater operational problems with processes including management of operational problems eg supply v demand. Advise on treatment optimisation and conduct audits and investigations. (Advice relating to capital should be allocated to manage the capital programme)
Treatment operatives intersite travel	Travel time between works for operatives performing routine operation and maintenance of wastewater treatment assets. Excludes travel time for reactive maintenance and electrical/mechanical maintenance which should be charged to the activity.

APPENDIX 2 – Detailed Activity Definitions

1.5 Sewerage services - sludge treatment and disposal

Activity	Description
Sludge treatment & disposal to landfill	Operation, maintenance and control of sludge treatment facilities (sludge screening, treatment (chemical, biological, thermal), dewatering, storage). Includes transportation to point of disposal, disposal costs and landfill tax.
Sludge treatment & disposal to land reclamation	Operation, maintenance and control of sludge treatment facilities (sludge screening, treatment (chemical, biological, thermal), dewatering, storage). Includes transportation to point of disposal and disposal costs
Sludge treatment & disposal to agriculture	Operation, maintenance and control of sludge treatment facilities (sludge screening, treatment (chemical, biological, thermal), dewatering, storage). Includes transportation to point of disposal and disposal costs
Sludge treatment & disposal to coppicing	Operation, maintenance and control of sludge treatment facilities (sludge screening, treatment (chemical, biological, thermal), dewatering, storage). Includes transportation to point of disposal and disposal costs
Sludge treatment & disposal to power generation	Operation, maintenance and control of sludge treatment facilities (sludge screening, treatment (chemical, biological, thermal), dewatering, storage). Includes transportation to point of disposal and disposal costs
Sludge production and conditioning	Manual and mechanical desludging of processes, sludge dewatering and thickening.
Intersite sludge tankering	Tankering of sludge from works to sludge conditioning centre or sludge treatment centre (SW owned or PFI). Includes desludging of SW septic tanks, liaison with PFI when take to PFI plant eg sample sludge disposing/density etc, admin, vehicle checks, taco graphs, defect reports etc
Bulk internal sludge movement from works to final disposal	Tankering of sludge from sludge treatment works to final disposal point, excludes sludge tankering by external contractors, and intersite sludge transportation
Manage contract waste transportation & disposal	Manage external contracts for removal of sludge and other waste from works to final disposal point. Excludes intersite sludge transportation.
Monitor waste management compliance	Monitor waste management compliance ensuring adherence to the waste management licensing requirements
Administration and management	Administration, supervision and management activities identified and allocated as appropriate

APPENDIX 2 – Detailed Activity Definitions

1.6 Retail activities

Activity	Description
Meter Reading	Read & record customer meter readings, (note reading of meters for third parties is a non-core activity eg BAA)
Handle metering queries	Investigate and respond to metering queries
Manage cyclic billing data	Update billing system for change in occupancy, splits/mergers, vacant properties, new properties, service changes, rateable value change, meter exchange/removal, meter reads or burst reductions
Manage sundry billing	Update billing system for sundry bills, generate and issue bill
Manage billing exceptions	Investigate billing exception reports and identify action required
Generate and issue cyclic bills	Audit billing data, generate and issue bill, including planning and scheduling of billing cycles
Handle billing enquiries	Investigate and respond to billing enquiries
Tariff negotiations	Develop and negotiate non standard tariff agreements.
Remittance & cash processing	Reconcile and allocate payments to customer accounts. Includes banking of cash and cheques
Manage direct debits	Set up and monitor direct debit payments
Handle payment enquiries/plans	Investigate and resolve payment enquiries, including set up and monitoring of payment plans
Debt management	Monitoring of outstanding debt, including issue of reminders and follow up telephone calls
Manage field recovery of debt	Manage and monitor field recovery of debt, includes costs of customer visits
Disconnections	Disconnect customer supplies
Manage external debt collection	Manage and monitor external debt collection routes including debt collection agencies, and legal. Includes legal fees and debt collection fees
Provide for business debts	Provision for domestic bad debt charged to the P&L account
Meter leasing	Payment by the retailer for the use of the wholesalers meters.

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Household billing & collection	Management costs and fees of local authority contracts for collection of household charges
Provide for domestic debt	Provision for domestic bad debt charged to the P&L account
Manage customer calls	Receive and log customer call. Either resolve, raise service request, assign complaints to customer relations or complex billing issues to billing & credit management
Manage written customer contacts	Receive and log customer letters, emails and faxes. Either resolve and respond to customer, raise service request, assign complaints to customer relations or billing and metering enquiries to billing & credit management
Investigate metering complaints	Handle metering complaints eg wrong meter reading. Includes monitoring of complaints resolution
Investigate billing complaints	Handle billing complaints, includes cost of monitoring complaints resolution
Proactive key customer management	Meet key customers on a proactive basis to build relationships, keep them informed, identify potential problems or business opportunities, and provide advice. Includes management of key customer data
Customer marketing & intelligence	Production of customer literature including charges scheme leaflets. Customer awareness campaigns, and conducting customer satisfaction surveys/research
Trade effluent billing & enquiries	Provision and maintenance of trade effluent data for billing. including customer liaison and correspondence in response to billing enquiries
Administration & management	Administration, supervision and management activities identified and allocated as appropriate
Schedule septic tank emptying	Plan and schedule septic tank emptying.
Septic tank emptying	Desludging of septic tanks and transportation of waste to sludge treatment centre or WWTW's for treatment

APPENDIX 2 – Detailed Activity Definitions

1.7 Business activities - scientific services

Activity	Description
Define, schedule and monitor sampling programme	Interpret new legislation, and the impact of new assets in order to define the regulatory sampling regime. Define operational sampling requirements, schedule sampling to meet planned sampling requirements. Track regulatory sampling and interpret results
Take samples	Take samples and return them to the local depot
Transport samples	Transport of samples from local depots to the appropriate laboratory for testing. Transport sample bottles etc to local depots for next days sampling
Sample reception	Log in samples, split samples where required and take samples to labs for analysis.
Analyse samples & record results	Perform laboratory analysis on samples. Includes the cost of hire and maintenance of any laboratory equipment used. Record results on
Prepare & issue analytical reports	Preparation and issue of laboratory analytical reports
Audit Laboratory Processes	Audit laboratory processes to ensure UCAS ISO 1725 standards are adhered to.
Manage PCV Breaches	Inform asset ops/customer services and understand reason. Complete event notice form and submit to DWQR, and inform public health officers. Ensure key stakeholders are managed and kept informed, to minimise the no. of event escalations.
Production & implementation of environmental sustainability policies	Translate legislation and develop environmental and sustainability policies for Scottish Water. Provide advice to business on impact of new legislation
Manage Wastewater Quality Failures	Liaison with SEPA following wastewater quality failure, investigate, report and ensure correct procedures followed
Administration & Management	Administration, supervision and management activities identified and allocated as appropriate

APPENDIX 2 – Detailed Activity Definitions

1.7 Business activities – cost of regulation

Activity	Description
Manage business & community relations	Provide a management service for business & community representative bodies including community forums, community councils, local councillors, federation of small businesses, trade associations etc. Includes interfacing with WIC at community relations meetings and face to face communication with representative groups
Regulatory reporting & liaison with WIC office	Coordination of reporting, liaison and negotiation with the WIC office, including WIC office fees. Includes the annual return, quarterly and monthly submissions eg WIC 1, 5,22 etc, adhoc information requests, annual scheme of charges, strategic review of charges including Q&S III development, efficiency analysis and special factor claims
Manage water quality regulation	Liaison, coordination of submissions, and submission to the DWQR and other regulatory bodies on matters relating to water quality and abstraction levels including production of the annual water quality report, annual cryptosporidium report and management undertakings & relaxations. Includes provision of input to regulatory directives and policy
Manage wastewater quality regulation	Liaison and coordination of submissions to SEPA and other regulatory bodies on matters relating to wastewater quality including effluent quality and consent standards. Includes management of consent issues, and input to environmental regulation directives and SEPA policies . Includes costs of producing annual environmental quality report.
Regulatory accounting	Incremental costs associated with the preparation of the regulatory accounts
Administration & management	Administration, supervision and management activities identified and allocated as appropriate

APPENDIX 2 – Detailed Activity Definitions

1.7 Business activities – general and support

Activity	Description
<u>Manage property and facilities</u>	
Property acquisitions	Acquisition of property for the capital programme
Property disposals	Disposal of surplus assets once decommissioned, cleared and audited for health & safety and decontamination
Manage land compensation claims	Act as agent for Scottish Water in settlement of land compensation claims
Manage rent, rates & council tax	Manage receipt and payment of all rent, rates and council tax, including minimising rates liability
Manage operational property maintenance	Establish and manage a maintenance programme for operational property to ensure Scottish Water complies with health & safety requirements, key operational maintenance, statutory and contractual legal compliance
Manage central building maintenance	Establish and manage a maintenance programme for central buildings to ensure SW complies with health & safety requirements, key operational maintenance, statutory and contractual legal compliance
Provides central building services	Provision of office facilities including reception, post room, printing & photocopying, utilities, R&M, furniture & fittings and other property services eg security and cleaning. Includes managing office demand. Includes provision of electronic library, and travel desk
Manage Office moves	Coordinate and manage office moves, including management of contractors associated with moving furniture, files, and workstations. Includes IT costs associated with setup of workstations, printers etc
<u>Manage Human resources</u>	
Manage HR strategy	Communicate HR initiatives to the business, understand business issues, what business units want to achieve and how HR can impact, and develop into HR solutions. Develop and maintain HR policies
Staff recruitment	Staff recruitment including production of job specifications, advertisements, recruitment agency fees, short listing, and interview costs.
Manage employee data	Update and maintain employee records including contractual details, personal data etc. Includes amendments to payroll standing data eg employee addresses, pay scale etc

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Deliver staff training	Develop training and development strategy, assess training needs and decide how best to meet needs. Includes internal cost of training design. Schedule training events, issue training schedule, collate and verify bookings, and evaluate and update training records. Includes course fees, materials and cost of staff on training course. Supplier contact, negotiation and purchase order preparation will be required as part of this activity.
Manage employee performance measurement	Develop and coordinate the corporate performance measurement process
Develop staff compensation & benefits package	Develop terms and conditions package for Scottish Water staff, communicate to staff, and obtain staff acceptance.
Manage team performance	Manage and monitor team performance including attendance management, downtime monitoring etc
Manage payroll	Ensure all employee payments and payments to third parties eg inland revenue are accurate and on time, and all payroll transactions comply with legislation. Ensure compliance with Scottish Water policies and offer advice to employees. Monitor and process claims ensuring appropriate authorisation and absence payments. Issue payslips
Develop, maintain and monitor health & safety policy	Review current legislation for any changes and new legislation, internalise impact and implement policy. Training for Scottish Water including delivery philosophy and cost/benefit analysis. Best practice analysis partnering with other utilities. Input to projects and initiatives. Includes accident reporting and investigation, reportable misses and risk assessment.
Implement health & safety policy	Support managers and advise on health & safety issues. Implement health & safety policies, including development of a health & safety management system
Perform health & safety checks	Perform health & safety checks including issue of permits to work, control of contractors, risk assessment, equipment checks. Coordinate health & safety inspections, identify and ensure health & safety medical works take place
Formulate, deliver and monitor occupational health scheme	Policy development, implementation, 3rd party service delivery, monitor effectiveness including cost benefit analysis.
Manage employee relations	Manage employee relations issues including, visiting employees absent on long term sick, coaching and counselling, and dealing with disciplinary issues

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
<u>Manage finance</u>	
Budgeting & forecasting	Preparation, consolidation and approval of departmental budgets, and forecasts. Including budget management, financial advise and support, reporting and variance analysis
Provide employee related insurance cover	Purchase insurance cover including preparation of employee data. Monitor cover terms and conditions. Provide insurance cover advise to the team
Provide vehicle and plant insurance cover	Purchase insurance cover including preparation of asset details. Monitor cover terms and conditions. Provide insurance cover advice
Provide asset related insurance cover	Purchase insurance cover including preparation of claims history, asset details. Monitor cover terms and conditions. Provide insurance cover advice
Provide insurance claims service	Manage and monitor insurance claims. Provide claims information, advice and cost to the business. Provide adequate financial recording of outstanding claims liability
Pensions administration	Strategic overview of existing funds. Execution and sign off of non payroll payments into the funds
Manage cash flow & debt	Provide daily, weekly & monthly cashflow analysis. Ensure adequate liquidity and manage debt profile. Manage bank relationships. Execute all non AP/payroll payments and reconcile/service bank accounts.
Financial transaction processing	Processing of journals, including accruals, prepayments and recharges including provision of supporting documentation. Production of control account reconciliations and trial balance output
Manage tax	Monitor statutory tax compliance, including production and maintenance of procedures, training staff on VAT, SIC coding, checking tax returns, and auditing tax sensitive ledger accounts.
Statutory reporting	Provision of statutory reports and returns including the statutory accounts, interim accounts, VAT returns, corporation tax returns, annual environmental sustainability report, statutory fleet list, vehicle defect sheets and DGSA.
<u>Manage information</u>	
Manage customer expectation	Manage IT customer performance, including meeting with managers to identify & resolve issues and identify future IT requirements

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Deploy IT solutions	Design, implement and build IT solutions, including the design and implementation of small systems by applications support, technical and comms infrastructure by technical and comms infrastructure teams that is chargeable to capital.
Provide applications support	Operate and maintain software applications including report writing, system changes and user advice, and supporting tactical applications (eg access database).
Software maintenance contracts	Fixed fee software maintenance contracts with software supplier for continued support of application, usually fixed proportion of purchase price.
Provide IT helpdesk	Provision of IT helpdesk service including logging calls, passing problem to appropriate personnel, and monitoring resolution of request.
Provide desktop support	Provide support to desktop users eg computer setup, software installation, fault diagnosis, repair printers etc. Excludes costs of office moves and changes, which should be captured under the individual activity.
Provide data communications	Operate and maintain the wide area network including line rentals and usage. This includes the main office network and the secondary network to works (BT Line Rental) (i.e. ISDN)
Provide telemetry	Operate and maintain the telemetry networks including line rentals and usage
Provide voice communications	Operate and maintain the internal (feature net) telephone system, and the exchange lines. Includes line rentals and usage.
Provide mobile communications	Mobile phone rental and usage
Provide call centre telephone system	Operate and maintain the call centre telephone system, including line rentals & usage
Manage IT infrastructure availability	Provide server configuration, user setup, backup, disaster recovery and restore services. Includes database administration, maintaining email/ internet gateways and managing disk space. Includes fixed external maintenance contract costs with supplier
<u>Research & development</u>	.
Coordinate research and development	Assessment of research and development projects, monitoring and delivering projects, payments to carry out projects, reporting and prioritising R & D results.

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
<u>Provide fleet services</u>	
Procurement of vehicles	Advice and commercial input to specification and supply of all fleet assets
Provision of vehicles & plant	Provision of vehicles and plant including lease costs and depreciation on owned assets
Vehicle and plant hire	Provision of a central hire desk, including all vehicle and plant hire costs.
Vehicle & plant maintenance	Maintenance inspection of vehicles & plant in line with maintenance schedules including routine maintenance to comply with legislation; MOT plating and testing in line with statutory conditions of operating licences. Includes spares and external maintenance costs, cost of replacement vehicle and administration of tax.
Fuel management	Purchase of fuel and administration of fuel card contracts
Accident management	Provision of common reporting procedures to understand and support all accidents. Including cost of insurance claims
<u>Procurement</u>	
Strategic sourcing	Develop procurement category strategy, evaluate and select suppliers, implement procurement category strategy and monitor contract performance
Procure goods & services	Identify supplier, raise requisition, generate and despatch order and receipt goods when received
Collate & process supplier correspondence	Process vendor mail and prepare for processing including invoices, credit notes, returned cheques etc
Invoice checking and authorisation	Checking and authorising supplier invoices for payment
Vendor maintenance and liaison	Add and maintain vendor files. Reconcile vendor statements. Action and prioritise vendor requests - eg non-payment stops and legal action, investigations etc. Other reporting for business.
Manage self billing	Self billing agreements, raise self bill, maintain self billing spreadsheets and submit to the inland revenue.
<u>Store & issue materials</u>	
Store materials	Materials storage and control, includes stock specification, management and catalogue maintenance and management of inventory

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Replenish materials	Internal stock replenishment order management, including satellite stores replenishment and transport of materials between stores
Issue stock	Distribution of stock to internal customers
Material take offs	Assess material requirements, internal & external order management, materials storage, control, distribution and associated management reporting
Standpipe management	Storage, distribution, recovery and refurbishment of standpipes
<u>Manage business strategy</u>	
Develop business plan	Coordination of functional business plan process and development of the strategic business plan
Manage business risk	Manage and monitor business risk including development of a corporate risk register
Provide internal audit	Plan audit work on a risk basis, respond to adhoc requests for reviews, perform audits, report findings & recommendations to management and audit committee. Review and follow up on implementation of recommendations
<u>Manage external relationships (excluding regulation)</u>	
Manage public relations	Manage relations with the media.
Manage political stakeholders	Liaison with political bodies eg MSP's, MP's, MEP's and the Scottish Executive. Monitor Scottish parliament, Westminster and EU activity to ensure Scottish Water is fully informed on matters which could affect the organisation.
External communication of capital programme	Proactive communication of the capital programme to local communities, media etc
Provide corporate governance	All costs associated with the corporate governance of, including costs of the board of directors and chief executive
External reporting & liaison	Liaison and reporting to external stakeholders including department of health, food standards agencies, medics, pressure groups etc.

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
<u>Manage improvement and change</u>	
Internal performance measurement & reporting	Develop internal performance targets eg KPI's, reporting and monitoring performance against these targets. Includes board reporting, comparative analysis reporting and internal management reporting excluding budget reporting.
Performance improvement	Review processes, identify opportunities to rationalise and achieve savings, and develop action plans
Manage transformation	Activities connected with implementing performance improvement projects.
<u>Emergency planning</u>	
Emergency planning & security	Improve/maintain plans, develop/draft procedures, contact information, zonal contingency plans, customer plans, intranet content, document control, audit of plans and procedures, risk assessment, liaison requirements. Train and emergency exercise programs. Manage emergency equipment and supplies. Develop, implement and maintain security policies and procedures, monitor effectiveness of security, liaise with security officers etc
Manage and coordinate incident response and communication	Implementation of emergency planning procedures during an incident, including provision of staff, equipment etc Includes communicating with customers, holding hospital plan, managing and advising key stakeholders including key customers, media, DWQR, SEPA, public health bodies, Scottish Executive etc.
<u>Manage the assets</u>	
Monitor strategic asset management performance	Understand future regulatory performance requirements and future demand. Understand service level/cost performance risk balance and set targets. Produce and monitor strategic performance reports eg KPI's
Deliver functional and area operating strategy	Develop and deliver functional, cross-functional and geographic strategies funded from operating expenditure
Deliver functional and area capital investment strategy	Develop and deliver functional, cross-functional and geographic strategies funded from capital expenditure
Generate, review and monitor capital investment plans	Identification, prioritisation, approval and development of outputs
Generate, review and monitor operational asset plans	Generate and maintain operational optimisation opportunity and risk of failure plans

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Generate, monitor and review maintenance asset plans	Generate, update and maintain risk based maintenance plans
Maintain works manuals	Maintain & update works manuals and policies
Maintain asset specifications & standards	Maintenance & update of asset specifications & standards to represent the optimal balance between cost, risk, performance and sustainability
Manage infrastructure asset data	Manage and update infrastructure asset data including maintenance
Manage non infrastructure asset data	Manage and update non infrastructure asset data
Provide developer information	Deal with questions from Scottish Exec and developers, where physical aspects of infrastructure are required to change, investigate and advise on implications
Manage capital programme	Investment appraisal and approval of capital projects. Includes update of fixed asset register for acquisitions and disposal
<u>Workflow support administration</u>	
Plan, schedule & allocate tasks	Plan, prioritise & schedule planned and reactive tasks, and obtain commitment to perform work. Includes raising of work orders/work requests
Produce & issue work packs	Collate and issue work packs for planned maintenance work
Works notification	Issue notification to roads authority on works maintenance. Provide utility information
Input timesheets	Input networks staff timesheets to system
<u>Electrical & Mechanical repairs</u>	
Reactive electrical & mechanical repairs	All urgent electrical and mechanical repairs to assets. Includes management of external contractors
Planned electrical & mechanical repairs	All planned (high & low priority) electrical and mechanical repairs to assets, including any specialist upfront technical input eg investigations, design etc. Includes management of external contractors
Cyclic electrical & mechanical maintenance	Cyclic risk based electrical and mechanical maintenance on assets including gas monitors, breathing apparatus and statutory inspections

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Minor electrical and mechanical installations	Minor E&M installations to assets, includes specialist upfront technical input eg investigations, design etc and management of external contractors
Maintain telemetry	Maintenance of telemetry servers at outstations, plus checking of priority signals
Manage minor telemetry installations	Minor telemetry installations to assets, includes specialist upfront technical input eg investigations, design etc and management of external contractors

APPENDIX 2 – Detailed Activity Definitions

2.0 Services provided for third parties

Activity	Description
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, including mains diversions	The costs of rechargeable work, including mains diversions

APPENDIX 2 – Detailed Activity Definitions

3.0 Non-core activities

Activity	Description
Commercial marketing & Intelligence	Market products and services for Commercial services and Trading units, compile competitor intelligence, and establish commercial brand.
Sell 3 rd party products & services	Identify the needs of new and existing customer and potential business opportunities (external/capital only), prepare proposals and tender/bid for work
Provide 3rd party PPP consultancy	Provide consultancy for design, build, finance and operate contracts out with Scottish Water. Includes planning and scheduling and preparation of billing data
Perform 3rd party environmental audits	Perform environmental audits, including leak detection, smart metering etc. Includes planning and scheduling and update of billing data
Provide external consultancy	Provide consultancy and advisory services to third parties other than PPP consultancy, and asset design & build consultancy. Includes planning and scheduling and update of billing data
Provide 3rd party sampling & laboratory services	Sampling, testing and reporting results of third party water and wastewater. Includes scheduling, and preparation of billing data
Operate and maintain 3rd party assets	Operation and maintenance of third party assets including Aberdeenshire school supplies
Design & build 3rd party assets	All costs relating to the design & build of assets on behalf of third parties
Schedule septic tank emptying - Non domestic customers	Plan & schedule septic tank emptying.
Septic tank emptying – non domestic cutomers	Desludging of septic tanks and transportation of waste to sludge treatment centre or waste water treatment works for treatment.
Third party waste transportation	Transport of third party waste to sludge treatment centre, or WWTW's for treatment
Provide shipping water	Supply of potable water to ships at dock.
Manage non core property services	Provide commercial property services to increase contribution generation from our core assets eg telecomms masts & towers, windfarms, advertising boards etc. Includes management & running of Loch Katrine Tourist Complex (shop, cycle hire steamer, land management), farming, forestry and fishing activities.

APPENDIX 2 – Detailed Activity Definitions

Activity	Description
Meter reading for 3 rd parties	Reading of meters for 3 rd party customers.
Scottish Water Solutions	Cost of setting up Scottish Water Solutions.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

TABLE 18 W

Block 1: Service Analysis – Water direct costs

Row Definitions - M18.1 to M18.9

M18.1	Employment costs	£m (3dp)
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Definition: The sum of the total costs of "non-manual and manual manpower" which are directly attributable to each of the individually identified activities within: *Water Resources and Treatment, Water Distribution* and *Non core* activities. 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.

M18.2	Power	£m (3dp)
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Definition: All energy costs 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 activities within: *Water Resources and Treatment, Water Distribution* and *Non core* activities.

M18.3	Hired and contracted services	£m (3dp)
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Definition: All hired and contracted equipment and services, which are directly attributable to each of the individually identified activities within: *Water Resources and Treatment, Water Distribution* and *Non core* activities. (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); and computer software.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.4	Materials and consumables	£m (3dp)
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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 within: *Water Resources and Treatment, Water distribution and Non core activities*.

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.

M18.5	Service charges SEPA	£m (3dp)
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Definition: Total cost of service charges by SEPA (Scottish Environment Protection Agency) for water abstraction and discharge which are directly attributable to individually identified service activities within: *Water Resources and Treatment, Water Distribution and Non core activities*.

M18.6	Bulk supply imports	£m (3dp)
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Definition: Total payments for imported bulk supplies which are directly attributable to individually identified service activities within *Water Resources and Treatment, Water Distribution and Non core activities*.

M18.7	Contract Management	£m (3dp)
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Definition: The costs of negotiating and administering contracts for the supply and carriage of water with the Scottish Water Retail - Non domestic activity and other third parties carrying out this activity for non domestic water customers.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.8	Meter Maintenance & Installation	£m (3dp)
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Definition: Installation, repair and exchange of customer meters, including planning and scheduling of work, pre installation survey, design of work and valuation

M18.9	Other Direct Costs	£m (3dp)
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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 within: Water Resources and Treatment, Water Distribution and Non core activities.

Lines M18.10 to M18.31

M18.10	Contract Management	£m (3dp)
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Definition: The costs for negotiating and administering contracts for the supply and carriage of water with the Water Resources and Treatment and Water Distribution activities.

M18.11	Manage Billing Data	£m (3dp)
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Definition: Update billing system for change in occupancy, splits/mergers, vacant properties, new properties, service changes, rateable value change, meter exchange/removal, meter reads or burst reductions

Update billing system for sundry bills, generate and issue bill.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.12	Generate & Issue Bills	£m (3dp)
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Definition: Audit cyclic billing data, generate and issue bill, including planning and scheduling of billing cycles. Include management costs and fees of local authority contracts for collection of household charges.

M18.13	Handle Billing Enquiries	£m (3dp)
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Definition: Investigate and respond to billing enquiries. Include the costs of handling of customer calls and written customer contacts. Exclude the costs of payment enquiries including set up and monitoring of payment plans (M18.39)

M18.14	Handle Billing Exceptions	£m (3dp)
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Definition: Investigate billing exception reports and identify action required.

M18.15	Handle Billing complaints	£m (3dp)
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Definition: Investigate and respond to billing complaints. Include cost of monitoring complaint resolution.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.16	Meter Reading	£m (3dp)
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Definition: Read & record customer meter readings. (Include reading of meters for third parties as a non core activity)

M18.17	Costs of Meter maintenance and installation	£m (3dp)
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Definition: Any costs incurred by the Retail activity for meter maintenance and installation.

M18.18	Handle metering enquiries	£m (3dp)
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Definition: Investigate and respond to metering queries. Include cost of managing customer calls and written contacts.

M18.19	Handle metering complaints	£m (3dp)
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Definition: Investigate and respond to metering complaints eg wrong meter reading. Includes monitoring of complaints resolution.

M18.20	Remittance & Cash Processing	£m (3dp)
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Definition: Reconcile and allocate payments to customer accounts. Includes banking of cash and cheques. Includes set up and monitoring of direct debit payments.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.21	Debt Management (exc Bad debt charge)	£m (3dp)
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Definition: Monitoring of outstanding debt, including issue of reminders and follow up telephone calls. Include management and monitoring of field recovery of debt, including costs of customer visits.

M18.22	External Debt recovery	£m (3dp)
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Definition: Manage and monitor external debt collection routes including debt collection agencies, and legal. Includes legal fees, court costs and debt collection fees

M18.23	Disconnections	£m (3dp)
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Definition: Costs of disconnecting customer supplies.

M18.24	Handle payment enquiries/plans	£m (3dp)
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Definition: Investigate and resolve payment enquiries, including set up and monitoring of payment plans.

M18.25	Advertising/Marketing	£m (3dp)
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Definition: Production and distribution of customer sales literature and awareness campaigns etc.. Include costs of customer satisfaction surveys/research.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.26	Account Management	£m (3dp)
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Definition: Additional costs for liaising with and managing larger users such as key accounts. This includes the costs of services not provided to other customers e.g. account managers. Includes management of additional customer data.

M18.27	Manage GMS payments	£m (3dp)
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Definition: Costs of handling GMS payments including GMS payments relating to operational activities. Include value of payments.

M18.28	Handle operational customer contacts.	£m (3dp)
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Definition: Costs of receiving and handling customer contacts (telephone and written) concerning the wholesale activity of water supply.

M18.29	Other Direct Costs	£m (3dp)
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Definition: Any other operating costs, but excluding interest and taxation, on an aggregated basis, including costs associated with the provision of offices, and insurance premiums (where such costs exceed 5% of total operating costs, an analysis should be provided) which are directly attributable to Retail activities.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.30	Employment costs	£m (3dp)
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Definition: Employment costs are the sum of the total costs of manpower which are directly attributable to the retail activity. 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.

Since employment costs are also included in the above lines this is a memo input and will not be included in the column totals.

M18.31	IT (excluding employment) costs	£m (3dp)
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Definition: Costs of IT support, hardware, software, licence payments and any other costs associated with the provision of IT with the exception of employment costs.

Since IT costs are also included in the above lines or in General & Support this is a memo input and will not be included in the column totals.

Lines M18.32 to Lines M18.34

M18.32	Total direct costs	£m (3dp)
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Definition: The total direct costs attributable to individually identified service activities: *Water Resources and Treatment, Water Distribution, Retail - Domestic, Retail -Non domestic* and also *Non core* activities.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.33	General and support costs	£m (3dp)
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Definition: General and support activities include all centrally provided services except for any items specifically covered under the individually identified activities. For further detail on General & Support Activities see RAR 4.

The direct costs of *General and support activities* must be allocated across individually identified service activities within: *Water Resources and Treatment, Water Distribution, Retail - Domestic, Retail -Non domestic* and also *Non core activities*.

Costs should be allocated in relation to the way that resources are consumed. Allocations based entirely on turnover, volume or direct labour rates should not be used as they are unlikely to reflect the activities involved. Scottish Water should include detail of the cost drivers used to allocate costs in its Commentary. See RARs 4&5 for further detail on allocation of costs.

M18.34	Functional expenditure	£m (3dp)
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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*.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

Block 2: Operating Expenditure

M18.35	Scientific services	£m (3dp)
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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. The costs of services to third parties should be included in the appropriate column as *Non core* costs.

See RAR 4 for further description of activities.

M18.36	Cost of Regulation	£m (3dp)
---------------	---------------------------	-----------------

Definition: This should include the cost of regulation (except depreciation), including all incremental managerial costs of regulation associated with a Strategic Review of Charges, licence fees payable to WICS and the 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.) All such activities will fall under core activity headings.

M18.37	Total business activities	£m (3dp)
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Definition: Cost of total business activities except for depreciation.

M18.38	Local authority rates	£m (3dp)
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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.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.39	Bad Debt Charge	£m (3dp)
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Definition: The charge/credit to the income and expenditure account for bad and doubtful debts.

M18.40	Total exceptional items	£m (3dp)
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Definition: Exceptional items are defined in FRS3 *Reporting Financial Performance*. Scottish Water should provide full details of its exceptional items in the accompanying commentary.

M18.41	Total opex less third party services	£m (3dp)
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Definition: Total operating expenditure less third party services

M18.42	Third party services – opex	£m (3dp)
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Definition: The operating costs of providing water services to third parties, to include:

- third party rechargeable works
- bulk supplies of raw or treated water to other water companies
- non-potable water
- water main diversions

M18.43	Total operating expenditure	£m (3dp)
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Definition: Total operating expenditure

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

Block 3: Reactive and Planned Maintenance (included in opex)

M18.44	Reactive and planned maintenance infrastructure	£m (3dp)
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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 *Non core* activities included in operating expenditure.

This should include expenditure on:

- burst repairs;
- flushing, scrubbing and air scouring;
- leakage control activities and leak repairs;
- valve, hydrant maintenance/replacement;
- communication pipe and stop tap replacement;
- reactive and planned maintenance on aqueducts and dams.

M18.45	Reactive and planned maintenance non-infrastructure	£m (3dp)
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Definition: The reactive and planned maintenance expenditure on water non-infrastructure assets, for each of the individually identified service activities within *Water Resources and Treatment*, *Water Distribution* and *Non core* activities 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.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

Block 4: Capital Maintenance

M18.46	Infrastructure Renewals Expenditure	£m (3dp)
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Definition: IRE is the net planned maintenance expenditure on the infrastructure network i.e. net of any grants or contributions for each of the individually identified service activities, *Water Resources and Treatment, Water Distribution and Non core activities.*

See RAR 3 for further detail.

M18.47	Infrastructure Renewals Accruals/prepayment	£m (3dp)
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Definition: The difference between the Infrastructure Renewals Charge and the Infrastructure Renewals Expenditure for each of the individually identified service activities, *Water Resources and Treatment, Water Distribution and Non core activities.*

See RAR 3 for further detail.

M18.48	Non-infrastructure depreciation charge	£m (3dp)
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Definition: Non infrastructure depreciation charge on tangible fixed assets, for each of the individually identified service activities, *Water Resources and Treatment, Water Distribution and Non core activities.*

Note that this figure is not net of the amortisation of deferred credits and intangible assets, which are shown separately on lines M18.86 and M18.87.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.49	Amortisation of deferred credits	£m (3dp)
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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.

M18.50	Amortisation of intangible assets	£m (3dp)
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Definition: Any amortisation or other reduction in the balance sheet valuation of intangible assets, such as goodwill.

M18.51	Business activities depreciation charge	£m (3dp)
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Definition: The asset depreciation at the aggregate level for each service, attributable to the assets used in the business activities: *Retail-Domestic*, *Retail Non-domestic*, *Scientific services*, and *Cost of Regulation and Non core* (where related to these business activities).

M18.52	Capital maintenance less third party services	£m (3dp)
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Definition: Capital maintenance less capital maintenance charges in respect of third party services

M18.53	Third party services - depreciation	£m (3dp)
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Definition: Asset depreciation on assets relating to third party services, together with any infrastructure depreciation charge for infrastructure assets relating to third party services.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.54	Total capital maintenance	£m (3dp)
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Definition: Total capital maintenance (including capital maintenance in respect of third party services)

M18.55	Total operating costs	£m (3dp)
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Definition: Total operating costs

Row Definitions – TABLE 18B W

M18B.1	Gross replacement cost at 1 April	£m (3dp)
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Definition: This is the gross MEA brought forward from the previous year. The gross MEA value of an asset is what it would cost to replace an old asset with a technically up to date new asset with the same service capability..

M18B.2	Investment plan adjustment	£m (3dp)
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Definition: The adjustment to GMEA as a result of an MEA revaluation. This aligns the gross asset value brought forward, with the value of the MEA revaluation.

A positive figure represents an increase in asset value.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18B.3	RPI adjustment	£m (3dp)
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Definition: Adjustment for valuation from previous year to current year prices using year end RPI.

A positive figure represents an increase in the gross replacement cost.

M18B.4	Disposals	£m (3dp)
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Definition: The reduction in gross value of assets caused by disposal of assets.

Input as a negative number

M18B.5	Additions	£m (3dp)
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Definition: Increase in gross value of assets caused by purchase. These comprise non-infrastructure expenditure on the Base Service, plus all enhancement expenditure as defined in RAR 2.

Input as a positive number

Input field

M18B.6	Gross replacement cost at 31 March	£m (3dp)
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Definition: This is the total gross MEA at the end of the year. The gross MEA value of an asset is what it would cost to replace an old asset with a technically up to date new asset with the same service capability..

M18B.7	Depreciation at 1 April	£m (3dp)
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Definition: Accumulated depreciation brought forward on water assets at the beginning of the charging year.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18B.8	Investment plan adjustment	£m (3dp)
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Definition: The adjustment to accumulated depreciation as a result of a MEA revaluation.

A positive figure represents an increase in asset value; a negative figure will result in a decrease.

M18B.9	Investment plan adjustment – gross MEA revaluation	£m (3dp)
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Definition: The proportion of the total adjustment in line M18.B8 above that relates to an adjustment to gross replacement cost.

A positive figure represents an increase in asset value; a negative figure will result in a decrease

M18B.10	Investment plan adjustment – amendment to remaining useful econ. Lives	£m (3dp)
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Definition: The proportion of the total adjustment in line M18B.8 above that relates to an amendment to remaining useful economic lives.

A positive figure represents an increase in depreciation; a negative figure will result in a decrease.

M18B.11	RPI adjustment	£m (3dp)
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Definition: The depreciation on the adjustment of valuation from previous year to current year (adjustment by year end RPI recorded in line M18B.3).

A positive number represents an increase in depreciation charge for the year.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18B.12	Disposals	£m (3dp)
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Definition: A negative number representing the reduction in depreciation caused by disposal of water assets.

Input as a negative number.

M18B.13	Charge for year	£m (3dp)
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Definition: Depreciation charge on water assets. This figure is before the amortisation of deferred credits and intangible assets.

M18B.14	Depreciation at 31 March	£m (3dp)
----------------	---------------------------------	-----------------

Definition: Accumulated depreciation carried forward at the end of the charging year. (Accumulated depreciation brought forward plus Investment Plan adjustments, RPI adjustment, less disposals and the charge for the year for those assets).

M18B.15	Net book amount at 31 March	£m (3dp)
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Definition: Net book value of water assets at the year end. (Gross replacement cost at the year end less accumulated depreciation relating to those water assets at the year end).

M18B.16	Net book amount at 1 April	£m (3dp)
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Definition: Net book value of water assets at the beginning of the year. (Gross replacement cost of assets relating to water at the beginning of the year less accumulated depreciation relating to those assets at the beginning of the year).

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

TABLE 18 WW

Block 1: Service Analysis – Wastewater Direct Costs

Row Definitions – M18.1 to M18.12

M18.1	Employment costs	£m (3dp)
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Definition: The sum of the total costs of "non-manual and manual manpower" which are directly attributable to each of the individually identified activities: *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core*. 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.

M18.2	Power	£m (3dp)
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Definition: All energy costs 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 activities: *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core*.

M18.3	Hired and contracted services	£m (3dp)
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Definition: All hired and contracted equipment and services, which are directly attributable to each of the individually identified activities: *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core*. (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); and computer software.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.4	Annual Charge for PPP Schemes	£m (3dp)
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Definition: The annual charge paid to external parties for PPP schemes.

M18.5	Internal Costs of PPP schemes	£m (3dp)
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Definition: The internal costs (excluding the PPP annual charge) of managing the PPP schemes.

M18.6	Materials and consumables	£m (3dp)
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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 within *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core activities*.

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.

M18.7	Service charges SEPA	£m (3dp)
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Definition: Total cost of service charges by SEPA (Scottish Environment Protection Agency) for water abstraction and discharge which are directly attributable to individually identified service activities: *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core*.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.8	Contract Management	£m (3dp)
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Definition: The costs of negotiating and administering contracts for the carriage and treatment of wastewater with the Scottish Water Retail - Non domestic activity and other third parties carrying out this activity for non domestic wastewater customers.

M18.9	Meter Maintenance & Installation	£m (3dp)
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Definition: Installation, repair and exchange of customer meters, including planning and scheduling of work, pre installation survey, design of work and valuation

M18.10	Other Direct Costs	£m (3dp)
---------------	---------------------------	-----------------

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: *Sewerage, Sewage treatment, Sludge treatment and disposal and Non core.*

Lines M18.11 to M18.32

M18.11	Contract Management	£m (3dp)
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Definition: The costs for negotiating and administering contracts for the carriage and treatment of wastewater with the Sewerage, Sewage treatment, Sludge treatment and disposal activities.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.12	Manage Billing Data	£m (3dp)
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Definition: Update billing system for change in occupancy, splits/mergers, vacant properties, new properties, service changes, rateable value change, meter exchange/removal, meter reads or burst reductions

Update billing system for sundry bills, generate and issue bill.

M18.13	Generate & Issue Bills	£m (3dp)
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Definition: Audit cyclic billing data, generate and issue bill, including planning and scheduling of billing cycles. Include management costs and fees of local authority contracts for collection of household charges.

M18.14	Handle Billing Enquiries	£m (3dp)
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Definition: Investigate and respond to billing enquiries. Include the costs of handling of customer calls and written customer contacts. Exclude the costs of payment enquiries including set up and monitoring of payment plans (M18.39)

M18.15	Handle Billing Exceptions	£m (3dp)
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Definition: Investigate billing exception reports and identify action required.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.16	Handle Billing complaints	£m (3dp)
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Definition: Investigate and respond to billing complaints. Include cost of monitoring complaint resolution.

M18.17	Meter Reading	£m (3dp)
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Definition: Read & record customer meter readings. (Include reading of meters for third parties as a Non core activity)

M18.18	Costs of Meter maintenance and installation	£m (3dp)
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Definition: Any costs incurred by the Retail activity for meter maintenance and installation.

M18.19	Handle metering enquiries	£m (3dp)
---------------	----------------------------------	---------------------------

Definition: Investigate and respond to metering queries. Include cost of managing customer calls and written contacts.

M18.20	Handle metering complaints	£m (3dp)
---------------	-----------------------------------	---------------------------

Definition: Investigate and respond to metering complaints eg wrong meter reading. Includes monitoring of complaints resolution.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.21	Remittance & Cash Processing	£m (3dp)
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Definition: Reconcile and allocate payments to customer accounts. Includes banking of cash and cheques. Includes set up and monitoring of direct debit payments.

M18.22	Debt Management (exc Bad debt charge)	£m (3dp)
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Definition: Monitoring of outstanding debt, including issue of reminders and follow up telephone calls. Include management and monitoring of field recovery of debt, including costs of customer visits.

M18.23	External Debt recovery	£m (3dp)
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Definition: Manage and monitor external debt collection routes including debt collection agencies, and legal. Includes legal fees, court costs and debt collection fees

M18.24	Disconnections	£m (3dp)
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Definition: Costs of disconnecting customer supplies.

M18.25	Handle payment/plan enquiries	£m (3dp)
---------------	--------------------------------------	---------------------

Definition: Investigate and resolve payment enquiries, including set up and monitoring of payment plans.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.26	Advertising/Marketing	£m (3dp)
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Definition: Production and distribution of customer sales literature and awareness campaigns etc. Include costs of customer satisfaction surveys/research.

M18.27	Account Management	£m (3dp)
---------------	---------------------------	---------------------

Definition: Additional costs for liaising with and managing larger users such as key accounts. This includes the costs of services not provided to other customers e.g. account managers. Includes management of additional customer data.

M18.28	Manage GMS payments	£m (3dp)
---------------	----------------------------	---------------------

Definition: Costs of handling GMS payments including GMS payments relating to operational activities. Include value of payment.

M18.29	Handle operational customer contacts.	£m (3dp)
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Definition: Costs of receiving and handling customer contacts (telephone and written) concerning the wholesale activity of wastewater supply.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.30	Other Direct Costs	£m (3dp)
---------------	---------------------------	---------------------

Definition: Any other operating costs, but excluding interest and taxation, on an aggregated basis, including costs associated with the provision of offices, and insurance premiums (where such costs exceed 5% of total operating costs, an analysis should be provided) which are directly attributable to Retail activities.

M18.31	Employment costs	£m (3dp)
---------------	-------------------------	-----------------

Definition: Employment costs are the sum of the total costs of manpower which are directly attributable to the retail activity. 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.

Since employment costs are also included in the above lines this is a memo input and will not be included in the column totals.

M18.32	IT (excluding employment) costs	£m (3dp)
---------------	--	-----------------

Definition: Costs of IT support, hardware, software, licence payments and any other costs associated with the provision of IT with the exception of employment costs.

Since IT costs are also included in the above lines or in General & Support this is a memo input and will not be included in the column total

APPENDIX 2 – Detailed Activity Definitions

Lines M18.33 to Lines M18.34

M18.33	Total direct costs	£m (3dp)
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Definition: The total direct costs attributable to individually identified service activities: *Sewerage, Sewage treatment, Sludge treatment and disposal, Retail - Domestic, Retail - Non domestic* and also *Non core activities*.

M18.34	General and support costs	£m (3dp)
---------------	----------------------------------	-----------------

Definition: General and support activities include all centrally provided services except for any items specifically covered under the individually identified activities. For further detail on General & Support Activities see RAR 4.

The direct costs of *General and support activities* must be allocated across individually identified service activities within: *Sewerage, Sewage treatment, Sludge treatment and disposal, Retail - Domestic, Retail - Non domestic* and also *Non core activities*.

Costs should be allocated in relation to the way that resources are consumed. Allocations based entirely on turnover, volume or direct labour rates should not be used as they are unlikely to reflect the activities involved. Scottish Water should include detail of the cost drivers used to allocate costs in its Commentary.

See RARs 4 & 5 for further detail on allocation of costs.

M18.35	Functional expenditure	£m (3dp)
---------------	-------------------------------	-----------------

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*.

Block 2: Operating Expenditure

M18.36	Scientific services	£m (3dp)
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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. The costs of services to third parties should be included in the appropriate column as *Non core* costs.

See RAR 4 for further description of activities.

M18.37	Cost of Regulation	£m (3dp)
---------------	---------------------------	-----------------

Definition: This should include the cost of regulation (except depreciation), including all incremental managerial costs of regulation associated with a Strategic Review of Charges, licence fees payable to WICS and the 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.) All such activities will fall under core activity headings.

M18.38	Total business activities	£m (3dp)
---------------	----------------------------------	-----------------

Definition: Cost of total business activities except for depreciation.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.39	Local authority rates	£m (3dp)
---------------	------------------------------	-----------------

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.

M18.40	Bad Debt Charge	£m (3dp)
---------------	------------------------	-----------------

Definition: The charge/credit to the income and expenditure account for bad and doubtful debts.

M18.41	Total exceptional items	£m (3dp)
---------------	--------------------------------	-----------------

Definition: **Exceptional items** are defined in FRS3 *Reporting Financial Performance*. The Authority should provide details of its exceptional items in the accompanying commentary.

M18.42	Total opex less third party services	£m (3dp)
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Definition: Total operating expenditure less third party services

M18.43	Third party services – opex	£m (3dp)
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Definition: The operating costs of providing wastewater services to third parties, to include:

- third party rechargeable works
- treatment and disposal of imported sewage and sludge from other sewerage companies
- sewer diversions
- repairs to customer's connecting drains

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.44	Total operating expenditure	£m (3dp)
---------------	------------------------------------	-----------------

Definition: Total operating expenditure

Block 3: Reactive and Planned Maintenance (included in opex)

M18.45	Reactive and planned maintenance infrastructure	£m (3dp)
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Definition: The reactive and planned maintenance expenditure on sewerage infrastructure assets, for each of the individually identified service activities, *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core* activities, included in operating expenditure.

This should include expenditure on:

- sewer repairs which are not capitalised;
- sewer collapses and blockage repairs;
- routine sewer flushing and cleaning; and
- planned routine and reactive maintenance of pumping plant.

M18.46	Reactive and planned maintenance non-infrastructure	£m (3dp)
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Definition: The reactive and planned maintenance expenditure on water non-infrastructure assets, for each of the individually identified service activities, *Sewerage, Sewage treatment, Sludge treatment and disposal* and *Non core* activities, included in operating expenditure.

This should include expenditure on:

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

- planned routine and reactive servicing of pumping plant;
- planned routine and reactive maintenance of sewage treatment works and instrumentation;
- service reservoir dosing;
- buildings and ground maintenance; and
- contracts for maintenance of computer equipment.

Block 4: Capital Maintenance

M18.47	Infrastructure Renewals Expenditure	£m (3dp)
---------------	--	-----------------

Definition: IRE is the net planned maintenance expenditure on the infrastructure network i.e. net of any grants or contributions for each of the individually identified service activities, *Sewerage, Sewage Treatment, Sludge Treatment & Disposal* and *Non core activities*.

See RAR 3 for further detail.

M18.48	Infrastructure Renewals Accruals/prepayment	£m (3dp)
---------------	--	-----------------

Definition: The difference between the Infrastructure Renewals Charge and the Infrastructure Renewals Expenditure for each of the individually identified service activities, *Sewerage, Sewage Treatment, Sludge Treatment & Disposal* and *Non core activities*.

See RAR 3 for further detail.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.49	Non-infrastructure depreciation charge	£m (3dp)
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Definition: Non infrastructure depreciation charge on tangible fixed assets, for each of the individually identified service activities: *Sewerage, Sewage treatment, Sludge treatment and disposal and Non core* activities.

Note that this figure is not net of the amortisation of deferred credits and intangible assets, which are shown separately on lines M18.86 and M18.87.

Information to be consistent with that reported in Chapter F

M18.50	Amortisation of deferred credits	£m (3dp)
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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.

M18.51	Amortisation of intangible assets	£m (3dp)
---------------	--	-----------------

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

M18.52	Business activities depreciation charge	£m (3dp)
---------------	--	-----------------

Definition: The asset depreciation at the aggregate level for each service, attributable to the assets used in the business activities: *Retail-Domestic, Retail Non-domestic, Scientific services, and Cost of Regulation and Non core* (where related to these business activities).

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18.53	Capital maintenance less third party services	£m (3dp)
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Definition: Capital maintenance less capital maintenance charges in respect of *third party services*

M18.54	Third party services - depreciation	£m (3dp)
---------------	--	-----------------

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

M18.55	Total capital maintenance	£m (3dp)
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Definition: Total capital maintenance (including capital maintenance in respect of third party services)

M18.56	Total operating costs	£m (3dp)
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Definition: Total operating costs

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

Row Definitions - TABLE M18B WW

M18B.1	Gross replacement cost at 1 April	£m (3dp)
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Definition: This is the gross MEA brought forward from the previous year. The gross MEA value of an asset is what it would cost to replace an old asset with a technically up to date new asset with the same service capability.

M18B.2	Investment plan adjustment	£m (3dp)
---------------	-----------------------------------	-----------------

Definition: The adjustment to GMEA as a result of an MEA revaluation. This aligns the gross asset value brought forward, with the value of the MEA revaluation.

A positive figure represents an increase in asset value.

M18B.3	RPI adjustment	£m (3dp)
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Definition: Adjustment for valuation from previous year to current year prices using year end RPI.

A positive figure represents an increase in the gross replacement cost.

M18B.4	Disposals	£m (3dp)
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Definition: The reduction in gross value of assets caused by disposal of assets.

Input as a negative number.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18B.5	Additions	£m (3dp)
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Definition: Increase in gross value of wastewater assets caused by purchase. These comprise non-infrastructure expenditure on the Base Service, plus all enhancement expenditure as defined in RAR 2.

Input as a positive number.

M18B.6	Gross replacement cost at 31 March	£m (3dp)
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Definition: This is the total gross MEA at the end of the year. The gross MEA value of an asset is what it would cost to replace an old asset with a technically up to date new asset with the same service capability.

M18B.7	Depreciation at 1 April	£m (3dp)
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Definition: Accumulated depreciation brought forward on wastewater assets at the beginning of the charging year.

M18B.8	Investment plan adjustment	£m (3dp)
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Definition: The depreciation on the expenditure required to bring assets up to current operational standards which arises from a change in the initial asset MEA value.

A positive figure represents an increase in asset value; a negative figure will result in a decrease.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18B.9	Investment plan adjustment – gross MEA revaluation	£m (3dp)
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Definition: The proportion of the total adjustment in line M18B.8 above that relates to an adjustment to gross replacement cost.

A positive figure represents an increase in asset value; a negative figure will result in a decrease.

Input field

M18B.10	Investment plan adjustment – amendment to remaining useful econ. Lives	£m (3dp)
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Definition: The proportion of the total adjustment in line M18B.8 above that relates to an amendment to remaining useful economic lives.

A positive figure represents an increase in depreciation; a negative figure will result in a decrease.

M18B.11	RPI adjustment	£m (3dp)
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Definition: The depreciation on the adjustment of valuation from previous year to current year (adjustment by year end RPI recorded in line M18B.3).

A positive number represents an increase in depreciation charge for the year.

M18B.12	Disposals	£m (3dp)
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Definition: A negative number representing the reduction in depreciation caused by disposal of wastewater assets.

Input as a negative number.

APPENDIX 3 – ACTIVITY COSTING DEFINITIONS

M18B.13	Charge for year	£m (3dp)
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Definition: Depreciation charge on wastewater assets. This figure is before the amortisation of deferred credits and intangible assets.

M18B.14	Depreciation at 31 March	£m (3dp)
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Definition: Accumulated depreciation carried forward at the end of the charging year. (Accumulated depreciation brought forward plus Investment Plan adjustments, RPI adjustment, less disposals and the charge for the year for those assets).

M18B.15	Net book amount at 31 March	£m (3dp)
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Definition: Net book value of wastewater assets at the year end. (Gross replacement cost at the year end less accumulated depreciation relating to those wastewater assets at the year end).

M18B.16	Net book amount at 1 April	£m (3dp)
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Definition: Net book value of wastewater assets at the beginning of the year. (Gross replacement cost of assets relating to wastewater at the beginning of the year less accumulated depreciation relating to those assets at the beginning of the year).