

ANNUAL INFORMATION RETURN REPORTING REQUIREMENTS

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3a	Sewerage service - 2
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INTRODUCTION

1. PURPOSE OF THE ANNUAL INFORMATION RETURN

The information required in the Annual Information return enables us to:

- monitor the company's progress towards achieving higher quality objectives;
- ensure that customers' standards of service are protected;
- compare company performance to other companies both now and over time;
- measure and compare their costs; and
- prepare for the next review of price limits.

Independent professionals - reporters and auditors - scrutinise the company Annual Information return information, and report their opinion to NIAUR. The reporters help us gauge the comparability of company information to the wider industry.

2. CONTENT OF THE ANNUAL INFORMATION RETURN

The Annual Information return consists of:

a) Board's Overview

This comprises tables A to E with accompanying commentary.

The chairman or managing director and one non-executive director of the company should sign the Overview confirming that the board of the company has endorsed it.

As part of the Board Overview, the Board should confirm that it has sufficient processes and internal systems of control to fully meet its obligation for the provision of information to NIAUR. Where the board considers it is unable to provide such a statement it must state that this is the case and explain why it is unable to do so.

The Board must also provide a statement explaining how it has satisfied itself that the information provided in the Annual Information return is reliable, accurate and complete.

This should include, but not be limited to:

- a high level description of the company's processes for completion of the Annual Information return;
- a description of the company's internal quality assurance processes;
- an explanation of the role and involvement of the Board as a whole (including non-executive directors) in the Annual Information return reporting process;
- an explanation of how the Board has satisfied itself that the processes and

- systems of internal control summarised above are operating as expected;
- an explanation of how the Board has satisfied itself that all material assumptions and judgements have been set out in the commentary to accompany each table and that the confidence grades assigned to data items are appropriate;
 - a description of how the Board as a whole has engaged with both the auditor and the reporter; and
 - the role (if any) of both the Audit Committee and internal audit in the Annual Information return process.

The Companies (Audit, Investigations and Community Enterprise) Act 2005 established the right of auditors to access all information necessary for the performance of their duties as an auditor and requires an annual statement from each director of a company about the provision of information to auditors.

We consider that the same requirements should apply to regulatory information provided in the Annual Information return.

Each person who is a director at the time when the Annual Information return is submitted is therefore required to make a statement in the Overview that:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditor or reporter are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor and reporter are aware of the information.

Consistent with the Companies (Audit, Investigations and Community Enterprise) (Northern Ireland) Order 2005

- Relevant audit information is information that the auditor or reporter needs to complete their reports; and
 - A director has taken all the steps he ought to have taken as a director to comply with paragraph b) above, if he has made such enquiries of his fellow directors and of the company's auditor and reporter for that purpose, and taken such other steps (if any) for that purpose, as were required by his duty as a director of the company to exercise due care, skill and diligence consistent with the Companies (Audit, Investigation and Community Enterprise) Northern Ireland Order 2005.
-
- The reporter's report on the Board Overview.

b) Main Report

- A fully completed set of data tables 1 to 41
- The company commentary for each table.
- Year end nominal ledger showing line by line analysis of all codes making up the profit & loss and balance sheet of the statutory accounts.
- Reporter commentary on tables 1 to 17g (not required for 6, 6a, 10b), 21, 22, 25, 32 to 38, 40 and 41.
- The levels of service methodology appendix.
- The customer research appendix.
- The reporter's signed certificate in respect of Levels of Service.
- The auditor's signed report and opinion in respect of the Annual Information return audit procedures.
- The reporter's report covering general and matters confidential to his firm.

A letter from a director of the company which confirms the "enclosed Annual Information return" as their view of their position in accordance with the current Annual Information return reporting requirements and definitions manual.

- The Company is responsible for the management of a number of large Public Private Partnership (PPP) contracts. NIAUR must assure itself, on behalf of customers, that the company is appropriately managing these contracts. Furthermore, NIAUR must also assure itself that the company has complied with the requirements of Condition B of its operating licence relating to PPP contracts. It is important therefore that the company reports the technical and financial information requested to allow NIAUR to do so.

Having reviewed the PPP contract documents, NIAUR considers that the company will be able to report the data as requested in each of the tables duplicated alongside the existing tables. Furthermore, NIAUR is aware that neither the Alpha nor the Omega treatment facilities were operational during the reporting period and that reporting for 2007/8 will be restricted to Kinnegar. However if any data relating to Alpha or Omega are relevant, then these should be reported, either in the tables or as commentary, as indicated in the guidance. It is the intention of the relevant additional tables to allow the company to review what information is required and report the information in the following years information return.

Where financial information is requested which does not form part of the unitary charge, but is relevant to PPP contracts, this should also be reported,

in accordance with the relevant RAG. Such items would include *inter alia* General and Support Expenditure, which would be NIW's costs for managing the PPP contracts and, in the case of WwTW's, terminal pumping costs where NIW pumps wastewater to a PPP works.

c) Service Target Report

- A fully completed set of data tables 1 – 4.
- Company commentary in line with paragraphs 1 – 7 of the Service Target Report Guidance.
- Reporter commentary on methodologies employed, and the robustness / reasonableness of any company submissions under paragraphs 1 – 7 of the guidance.

3. SUBMISSION OF THE ANNUAL INFORMATION RETURN

The company should submit:

- 4 hard copies of the Annual Information return incorporating:
 - Board's Overview (tables A-E with accompanying commentary);
 - Tables 1- 41 (excl 6, 10b) with accompanying company commentary and
 - Levels of service methodology appendix.
- 2 'stand alone' copies of year end nominal ledger statements (as detailed above)
- 1 electronic copy of the Board's Overview, data Tables 1 to 41 and company commentaries, and the levels of service methodology appendix.

Reporters are to submit:

- 4 hard copies of the Annual Information return reporter's report comprising:
 - reporter's report on the Board Overview
 - reporter's commentaries on tables 1 to 17g (not required for 6, 6a, 10b), 21, 22, 25, 32, to 38, 40 and 41;
 - reporter's General Report; and
 - the reporter's signed certificate in respect of levels of service.
- 1 electronic copy of each of the above.

Auditors are to submit:

- 2 hard copies of the auditor's signed report and opinion in respect of the Annual Information return audit procedures. (The tables submitted to the auditors by the company should be included in the audit report).
- 1 electronic copy of the report and opinion only.

Date of company submission:

29 August 2008

Date of reporter/auditor submission:

05 September 2008

It is the responsibility of the company to work in conjunction with their reporter and auditor to achieve these deadlines. All parties are expected to ensure delivery by the dates specified. It is the responsibility of the company to ensure that all parts of its Annual Information return and its reporter's and auditor's reports are submitted by themselves and their reporter and auditor by the due dates.

4. PUBLIC DOMAIN SUBMISSION

The Annual Information return is central to NIAUR's commitment to make our work more widely available.

The company should submit a version of the Annual Information return suitable for the public domain by **28 November 2008** comprising:

- 1 hard copy and 1 electronic copy in **pdf format** of the confidentiality pro forma (to follow);
- 1 hard copy and 1 electronic copy in **pdf format** of the commentaries of the Annual Information return (with the exception of 18a, 18b, 30, 31, 35b, 36b and 39). The electronic version should reflect the structure of the sections of the Annual Information return, as follows:
 - Board overview;
 - Key outputs (commentaries for tables 1 - 5 inclusive);
 - Bad debt (commentary for table 6a);
 - ;
 - Non-financial measures (commentaries for tables 7 – 16b excluding 10b);
 - Sewage explanatory factors (commentaries for tables 17a-g and 32a);
 - Regulatory accounts (commentaries for tables 18 - 29 inclusive);
 - Financial measures (commentaries for tables 32 - 38 inclusive and 40); and
 - Health and safety data (commentary for table 41).
- 1 hard copy and 1 electronic copy in **pdf format** of the Board's Overview commentary; and
- 1 hard copy and 1 electronic copy in **pdf format** of the Levels of Service Appendix.

If the company considers material in these sections to be confidential, it should

excise their public domain version accordingly and record this on the confidentiality pro forma that will be issued. The following should also be removed:

- all confidentiality markings; and
- any personal information (i.e. customers' names and addresses shown as examples of customer service processes).

The company should also liaise with the reporter and the auditor to ensure that the reporter's and auditor's commentaries and reports are suitable for the public domain.

The reporter should submit by 5 December 2008:

- 1 hard copy and 1 electronic copy in **pdf format** of the report on the Board's overview; and
- 1 hard copy and 1 electronic copy in **pdf format** of the reporter's commentaries on the Annual Information return (with the exception of tables 18b, 30, 31, 35b, 36b and 39). The electronic version should reflect the structure of the sections of the Annual Information return, as follows:
 - Board overview;
 - Key outputs (commentaries for tables 1 - 5 inclusive);
 - Bad debt (commentary for table 6a);
 - Non-financial measures (commentaries for tables 7 - 16 excluding table 10b);
 - Sewage explanatory factors (commentaries for tables 17a-g and 32a);
 - Regulatory accounts (commentaries for tables 21, 22 and 25);
 - Financial measures (commentaries for tables 32 - 38 inclusive and 40); and
 - Health and safety data (commentary for table 41).
- 1 hard copy and 1 electronic copy in **pdf format** of the levels of service certificate.

All confidentiality markings should be removed from this submission.

Auditors should submit by **5 December 2008**:

- 1 hard copy and 1 electronic copy in **pdf format** of the auditor's signed report and opinion in respect of the Annual Information return.

All confidentiality markings should be removed from this submission. Please exercise special care where this public submission encompasses multiple documents.

5. GENERAL GUIDANCE ON REPORTING REQUIREMENTS AND DEFINITIONS FOR THE COMPANY, REPORTER AND AUDITOR

The arrangements and responsibilities for the reporting process, including those for

the scope and content of audit plans and the level and scope of audit, are set out in section 2 of the reporter protocol Issue 1 (April 2007). The scope and content of reporter's reports are also set out in section 4 of that document.

For particular requirements in respect of Annual Information return commentaries, the company, reporter and auditor should also refer to the relevant guidance given in each chapter of these reporting requirements. In addition, they should note the requirements regarding confidence grades.

The Company, reporter and auditor should also refer to the regulatory accounting guidelines (RAGs) published by Ofwat. The guidance in the RAGs is not repeated in these reporting requirements. Copies of the RAGs are available at www.Ofwat.gov.uk.

Primary purpose categories

Each line has a primary purpose category. There are six categories:

- Confirming delivery of key outputs and service: Essential information to confirm the delivery of the predefined service and quality improvements funded in price limits, and maintenance of service levels and serviceability to customers year by year.
- Checking compliance with statutory and Licence requirements: Information to enable NIAUR and others to check and confirm that the company has met all its statutory and Licence requirements.
- Informing relative performance and efficiency assessments: Information to enable NIAUR and others to assess the company's performance and efficiency, both year by year and relative to its peers.
- Informing future price limit determinations: Information collected to inform future price limit determinations (both interim determinations and price controls).
- Establishing health & safety performance trends.
- Analysis of supply-demand balance.

Confidence grades

Confidence grades provide a reasoned basis for the company to qualify the reliability and accuracy of the data. The company should employ a quality-assured approach in the methodology used to assign confidence grades, particularly if sampling techniques are in place.

The confidence grade combines elements of reliability and accuracy, for example:

A2 Data based on sound records etc. (A, highly reliable) and estimated to

be within +/- 5% (accuracy band 2);

Reliability and accuracy bands are shown in the tables below.

Reliability band	Description
A	Sound textual records, procedures, investigations or analysis properly documented and recognised as the best method of assessment.
B	As A but with minor shortcomings. Examples include old assessment, some missing documentation, some reliance on unconfirmed reports, some use of extrapolation.
C	Extrapolation from limited sample for which Grade A or B data is available.
D	Unconfirmed verbal reports, cursory inspections or analysis.

Accuracy band	Accuracy to or within +/-	But outside +/-
1	1%	-
2	5%	1%
3	10%	5%
4	25%	10%
5	50%	25%
6	100%	50%
X	Accuracy outside +/- 100 %, small numbers or otherwise incompatible (see table below)	

Certain reliability and accuracy band combinations are considered to be incompatible and these are blocked out in the table below.

Compatible confidence grades				
Accuracy band	Reliability band			
	A	B	C	D
1	A1			
2	A2	B2	C2	
3	A3	B3	C3	D3
4	A4	B4	C4	D4
5			C5	D5
6				D6
X	AX	BX	CX	DX

Ofwat expects companies in England and Wales to be able to report confidence grades of A2, A3, B2 or better. Where NIW confidence grades are below these levels, the company should report on their action plans for improvement. Where the company's action plans are limited to the achievement of A4, B3, B4 or C2 levels, they should justify this.

Any deterioration in confidence grades from those reported in the previous Annual Information Return should be explained together with the action plan for improvement.

The reporter should comment on all confidence grades reported in the tables. They are required to state whether they agree with the confidence grading and if not, provide their opinion. The reporter should also comment on any deterioration, the reason provided by the company, and either the action plan for improvement or justification for limited achievement. Where there is disagreement between the parties, NIAUR will normally use the reporter's assessment of the confidence grade.

6. BOARD'S OVERVIEW OF ANNUAL INFORMATION RETURN

Guidance to the company

The Company should refer to the guidance given in each individual chapter.

Guidance to the reporter

The reporter's commentary on the Board Overview should present NIAUR with a clear, succinct statement of the reporter's scrutiny and opinion.

The reporter should:

- Review, give his opinion on, and identify any shortfalls in the process established by the company to ensure that the Board Overview is well founded and consistently supported by the textual and numerical information in the Annual Information return and the reports by the quality regulators relating to the quality enhancements programme.
- Give an opinion on the effectiveness of the company's Annual Information return process and whether it has been followed.
- Comment upon the consistency of the Board Overview commentaries with the numerical information drawn from the annual return tables and their associated commentaries, and from the quality regulators' reports.
- Comment on the degree of co-operation he has had from the company, particularly with regard to timely access to the finalised Annual Information return, to enable him to complete his work and report in accordance with the NIAUR timetable.
- For chapters 1, 2, 3 and 4 of the Board Overview the reporter should briefly summarise the key trends in company performance and confirm or otherwise the accuracy of the Board Overview statements and supporting numerical data (including costs but excluding financial performance measures). In addition, for chapter 1 the reporter should give his opinion on the accuracy and completeness of the company's information on their health and safety initiatives and performance trends; and for chapter 3, the reporter should give his opinion on the company's progress towards sustainable procurement.

7. LEVELS OF SERVICE METHODOLOGY APPENDIX

Guidance to the company

The company should clearly describe and explain the methods and procedures adopted in order to monitor and report on the levels of service they provide to their customers. It **must** follow the layout given below, where information is arranged by DG Indicator. An example of relevant DG Registers should be included where indicated. The company should include any copies of formal written procedures or guidance as additions not instead of the requested format.

The methodology statement should be a clear, concise explanation of the process involved in producing the reported information. It should include an explanation of the source of any measurements, description of company specific systems and

details of the coverage achieved by various monitoring systems, including the extent of any projection of extrapolation required in arriving at the reported figures. Any assumptions made by the company in reporting this information must be disclosed. (A description, for example, of a company's computer system or the method used to transfer numbers from registers to Annual Information return tables is not sufficient).

The company should provide a full methodology statement for DG2, DG3, DG5, DG6, DG7, DG8 & DG9, drawing our attention to any changes in methodology from previous returns. Where the company has reported to us on their performance or methodology during the report year, the company should still provide a full methodology statement as a stand alone document rather than refer to previous information provided.

Methodology statements for Table 6 GSS Compliance are not required to be submitted with the Annual Information return

The following is the layout for the company's Levels of Service Methodology Statement.

Section

DG4 Restrictions on the use of water

No methodology required.

DG2 – Pressure of mains water

- Methods and procedures
- Extract from DG2 register
 - provide an extract from DG2 register
- Sources of information
- Scope and coverage
- Assumptions and exclusions
 - including any assumptions made for surrogate for the reference level.
- Other issues
 - provide any further information on issues that have arisen in the report year that impact on your methodology for reporting in the Annual Information return.

DG3 Supply interruptions

- Methods and procedures
 - including how you report start time, end time and intermittent interruptions
- Definitions
 - including start time, end time and intermittent interruptions
- Extract from DG3 register – should be provided
- Sources of information
- Company systems
- Scope and coverage

- Assumptions and exclusions
- Other issues

DG5: Flooding

DG5 Flooding incidents

- Methods and procedures
 - including definition of severe weather (see also detail in chapter 3 of the reporting requirements)
 - Extract from DG5 register
 - Sources of information
 - Scope and coverage
 - Assumptions and exclusions
 - Other issues

DG5 Properties at risk of flooding

- Methods and procedures
 - Including mitigation and movements between 'at risk' registers (see also detail in chapter 3a of the reporting requirements)
 - Sources of information
 - Scope and coverage
 - Assumptions and exclusions
 - Other issues

DG5 Cost Benefit Analysis

- Methods and procedures
 - Including comparison of severity of problems eg frequency, location and impact of flooding
 - Including prioritisation of activity
 - Sources of information
 - Scope and coverage
 - Assumptions and exclusions
 - Other issues

DG6 Response to billing contacts

- Methodology and procedures
 - allocation to DG6
 - include details of how DG6 contacts are recognised from all other correspondence and how are these allocated to DG6, DG7 and non-reportable categories on your systems.
- Definitions
 - include the definitions you use to report table 4.
- Exclusions
 - Provide details of contacts that are excluded from DG6.
- End of year
 - include details of the approach that has been used for reporting contacts not dealt with at year end
- Auditing

- include internal procedures/guidance covering allocation to DG6, DG7 and non-reportable categories. Also provide details of the checks/audits carried out to ensure that contacts are correctly allocated, responses are substantive, response times are correct and reporting is accurate.
- Sources of information
- system used
 - include details of all systems used for recording and reporting DG6 contacts.
- changes in system during the report year
 - include details of any changes in the systems used to record and report DG6 in the report year and any impact of this on the reported methodology.
- actual data
 - Include whether actual data is used to report table 4.
- sampling
 - provide details of any sampling used to report table 4.
- justification for sampling
 - provide justification for using sampling rather than counting actuals.
- sampling methodology
 - provide details of the methodology used for sampling.
- reliability and validity of results
 - how do you ensure that figures are reliable and valid?
- Responses
- use of telephone
 - provide details of whether the telephone is used to respond to DG6 contacts e.g. how the company decides whether a telephone call is an appropriate method of response. Also provide details of how audit trails of maintained and whether confirmatory letters are sent.
- use of standard letters
 - provide details of any standard letters used to respond to contacts and the circumstances that these will be used.
- use of personal visit
 - provide details of whether a visit is used to respond to DG6 contacts e.g. how the company decides whether a visit is an appropriate method of response. Also provide details of how audit trails of maintained and whether confirmatory letters are sent.
- Assumptions
 - assumptions used by the company should be clearly disclosed.
- Other issues
 - provide any further information on issues that have arisen in the report year that impact on your methodology for reporting in the Annual Information return.

DG7 Response to billing contacts

- Methodology and procedures

- allocation to DG7
 - include details of how DG7 contacts are recognised from all other correspondence and how are these allocated to DG6, DG7 and non-reportable categories on your systems.
- Definitions
 - include the definitions you use to report table 5 lines 1-5.
- Exclusions
 - Provide details of contacts that are excluded from DG7.
- End of year
 - include details of the approach that has been used for reporting contacts not dealt with at year end
- auditing
 - include internal procedures/guidance covering allocation to DG6, DG7 and non-reportable categories. Also provide details of the checks/audits carried out to ensure that contacts are correctly allocated, responses are substantive, response times are correct and reporting is accurate.
- Sources of information
 - system used
 - include details of all systems used for recording and reporting DG7 contacts.
 - changes in system during the report year
 - include details of any changes in the systems used to record and report DG7 in the report year and any impact of this on the reported methodology.
 - actual data
 - Include whether actual data is used to report table 5 lines 1-5.
 - sampling
 - provide details of any sampling used to report table 5 lines 1-5.
 - justification for sampling
 - provide justification for using sampling rather than counting actuals.
 - sampling methodology
 - provide details of the methodology used for sampling.
 - reliability and validity of results
 - how do you ensure that figures are reliable and valid?
- Responses
 - use of telephone
 - provide details of whether the telephone is used to respond to DG7 complaints e.g. how the company decides whether a telephone call is an appropriate method of response. Also provide details of how audit trails of maintained and whether confirmatory letters are sent.
 - use of standard letters
 - provide details of any standard letters used to

respond to contacts and the circumstances that these will be used.

- use of personal visit
 - provide details of whether a visit is used to respond to DG7 complaints e.g. how the company decides whether a visit is an appropriate method of response. Also provide details of how audit trails of maintained and whether confirmatory letters are sent.
- Assumptions
 - assumptions used by the company should be clearly disclosed.
- Other issues
 - provide any further information on issues that have arisen in the report year that impact on your methodology for reporting in the Annual Information return.

DG8 Bills for metered customers

- Methods and procedures
 - Definitions
 - include the definitions you use to report table 5 lines 6-12.
 - Exclusions
 - Provide details of metered accounts that have been excluded from the indicator
- Billing policy
 - frequency of bill issue
 - Provide details of how often you issue your bills
 - customer reads; allowed/encouraged?
 - Clearly state your policy on whether customer reads are allowed / encouraged.
- Data collection
 - frequency of reading cycles
 - Provide details of how often you undertake company readings
 - method of meter reading
 - Provide details of what systems are used
- policies on:
 - access denied?
 - Faulty meters?
 - Abnormal reads?
 - Previous misreads?
 - Provide details on how these are reported and how you attempt to resolve the problem
- Data transfer
 - company reads
 - customer reads
 - updating, post bill issue
 - Provide details on how these reads are transferred onto your billing system

- Data measurement
 - system used
 - Provide details of the system used to take meter readings
 - number of reads during year
 - number of company reads for two years
 - Provide details of how you analyse that a customer has received at least one company read in two years
 - unbilled properties
 - Provide details of how you distinguish which properties have not been billed
 - year end reporting
 - Confirm that when a meter is read in one report year but the bill is sent the following report year. The company records these in the year in which the bill was sent and not the year in which the meter was read.
- Assumptions
 - Any assumptions used by the company should be clearly disclosed
- Other issues
 - Provide any further information on issues that have arisen in the report year that impact on your methodology or reporting in the Annual Information return

DG9 Ease of telephone contact

- Common definitions
 - principal advertised customer contact (pacc) points
 - company agent
 - office hours
 - exclusions
 - include the definitions you use to report table 5 lines 13 - 17

7.2 Call receipt

- within BT provider's network
 - use and activation of day link messages
 - use and activation of message links
- within company systems
 - queuing policy, including messaging
 - busy tone policy, application and recording/reporting
 - Provide a detailed description of your systems
- Call handling
 - practices and procedures
 - Provide details of what systems are used to ensure that all calls are reported
 - transfers between pacc points
 - Provide details of how you record, for example, an

- operational call that comes into your billing department
- direct measurement/interpolation/extrapolation
 - Provide details of whether you can measure all calls to the PACC points or whether you use interpolation / extrapolation
- Messaging
 - use and activation of:
 - IVRs
 - message manager systems
 - answering machines
 - touchtone systems

(including number of messages and their duration). Provide details of what lines these systems are available on and how you ensure that these are reported correctly in table 5 lines 13-17.
- Company systems
 - telephony – what
 - locations – where, number of lines
 - software

(a schematic should be provided)
-

Guidance to reporters

The reporter must comment on any discrepancies between the methodology described and that actually practised by the company. He/she should also comment on the suitability of the chosen methodology in monitoring and reporting the information. The reporter should pay particular attention to areas of the methodology that do not meet the reporting requirements and any changes in methodology or systems from previous Annual Information returns.

8. CUSTOMER SATISFACTION RESEARCH APPENDIX

Guidance to the company

The company should report on the nature and results of any customer satisfaction research carried out during the reporting year..

NIAUR requires the company to report on levels of customer satisfaction with services provided as identified by market research. The results will be used to monitor trends in company customer satisfaction, not to undertake comparisons with other companies.

Each company should provide an overview of its strategy for monitoring its customers' satisfaction with, or views on, the standards of service provided. This should describe the nature, scale and frequency of research undertaken.

The company should monitor and report on overall customer satisfaction with their water and sewerage services.

Each piece of customer satisfaction research carried out the company should, as a minimum, set out:

- period of research work,
- sample size and selection criteria,
- a copy of the questionnaire containing all relevant customer satisfaction question(s) asked,
- relevant extracts from the research report; and
- the distribution of responses, e.g. annotated on the questionnaire.

Where the company wishes to provide trend data or historical results of similar work to provide a company specific context, this would be useful.

Guidance to the reporter

The reporter is expected only to confirm that the reported results can be traced back to the identified research source.

9. REPORTER'S GENERAL REPORT

Guidance to the reporter

The general report is considered to be commercially confidential. It should include:

- terms of reference;
- details of the reporter's team;
- a summary of the audit approach, quality assurance procedures used and particulars of areas covered, including arrangements made to ensure co-ordination of certification and financial audit with the company's financial

auditors;

- a list of meetings with the Company, inspections carried out and audit trails followed;
- a tabular summary in man hours of time spent by reporter and team members (reporter/lead auditor, senior auditors, auditors, support staff);
- the costs to the company of reporter activity for the Annual Information return reporting work, and an estimate for the forthcoming Annual Information return;
- a summary schedule of concerns with and challenges made to the company, and how these concerns and challenges have been resolved; and
- a statement of areas of disagreement with the company which have not been resolved.

The levels of service certificate should be submitted separately (as outlined in sections 3 and 4 above) and not bound into the general report.

10. REPORTER'S LEVELS OF SERVICE INFORMATION CERTIFICATE

The reporter should complete the following certificate:

LICENCE CONDITION J LEVELS OF SERVICE INFORMATION CERTIFICATE

I refer to the documents dated xx prepared by Northern Ireland Water as the Annual Information 200x Return to the Northern Ireland Utility Regulator, which have been reviewed under my direction.

The Annual Information return, for which Northern Ireland Water is solely responsible, includes Condition J (of the Instrument of Appointment) Levels of Service information.

In my professional opinion, based on and to the extent disclosed by sample monitoring carried out and as described in my Report to the Authority dated xx:

the Annual Information return, in so far as it relates to Condition J Levels of Service information, has been properly compiled by Northern Ireland Water, and in accordance with reasonable methods and procedures which are adequate for providing information to the appropriate degree of accuracy and to enable the Authority to make a fair assessment of the company's performance against Levels of Service indicators; and

subject to the qualifications expressed in my Report referred to above, the Annual Information 200x Return, in so far as it relates to Condition J Levels of Service information, has been prepared in accordance with the methodologies described in the submission dated xx to the Authority and that these methodologies are adequate for the purpose of obtaining Levels of Service information in accordance with the relevant reporting requirements.

Signed
For and on behalf of
Date

11. REGULATORY ACCOUNTS – REPORTING REQUIREMENTS

Section 10 provides some general and specific guidance on the Regulatory Accounting tables of the Annual Information Return.

The company should submit **four** copies of:

- regulatory accounts;
- confidential information (if not included in regulatory accounts);
- statutory accounts (if not bound with regulatory accounts);

The company should also publish its regulatory accounts on its website on the date they are submitted to NIAUR. The web path should be included in a covering letter to the regulatory accounts.

The company should draw up its regulatory accounts for 2007-08 on the basis of the Guidance to AIR08 and the revised regulatory accounting guidelines issued on 20 February 2007 by Ofwat in [RD04/07 'Update of the regulatory accounting guidelines 1, 3 and 4'](#). All UK accounting standards extant at 31 March 2008 should be complied with (except FRS12 as detailed in RAG 1 and RAG 3). Issues noted in Ofwat's [RD07/07](#) and corresponding letters in previous years remain relevant. If the company considers that the requirements of these conflict with those included in accounting standards, please contact Joe Craig or Umer Ahmed, Regulatory Finance, NIAUR.

Specific regulatory accounts issues:

- Link between directors' pay and standards of performance

The Water and Sewerage Services (Northern Ireland) Order 2006 introduced a requirement for the company to make a statement at the end of each financial year, regarding links between the pay of the board of the regulated business and standards of performance. The company should disclose this statement linking directors' pay and standards of performance in a separate note to the regulatory accounts (or in the statutory accounts if both sets of accounts are bound together in the same volume). Detail on what the statement must include is set out in RAG 3.06.

If, when preparing the statement, any details of the remuneration arrangements have not yet been finalised, NIAUR expects the statement for the following year to cover the finalised arrangements for the previous year as well.

- Operating and Financial Review (OFR)

RAG 3 requires completion of an OFR. RAG 3.06 sections 3.1.13 to 3.1.15 sets out our requirements for the OFR. The OFR should follow the 'Reporting

Statement of best practice on the OFR' that the Accounting Standards Board issued on the 26 January 2006. In addition, it should cover the following specific areas.

- Movements in turnover should be described with reference to the allowed price limit and to customer demand.
- Atypical operating expenditure items.
- Significant movements in IRC and CCD.
- Donations to charitable trusts assisting customers or similar funds if applicable.
- Dividend payments.
- Turnover recognition

Ofwat has noticed that some companies are recognising turnover to the extent that it is probable that economic benefits will flow to the company (as per FRS5/IAS18) and that some companies have chosen not to recognise as turnover the bills raised for customers who have a record of non-payment. NIAUR do not expect this to be an issue but for avoidance of doubt the company should recognise turnover relating to bills raised for customers who have a record of non-payment in its regulatory accounts and Annual Information Return.

If the company binds its regulatory and statutory accounts together in one volume, it may refer to the enhanced business review in the statutory accounts when completing the OFR. If it submits regulatory and statutory accounts to NIAUR as one bound volume, it must also:

- (a) be available to the public in the same hard copy format; and
- (b) be published on the website in an identical manner.

Audit opinion

The full wording of the opinion that NIAUR require for the regulatory accounts for 2007-08 is set out in [annex A](#) of the Auditor Guidance. Where the company submits a set of regulatory accounts that does not contain this wording, NIAUR will not consider it to be compliant with licence condition F. The wording of the opinion required for the Annual Information Return is set out in annex B of the Auditor Guidance.

NIAUR expect, given the timescales of submission for the Annual Information Return 2008, that information in the Annual Information Return submission and the regulatory accounts will be consistent and that auditors will be able to agree the Annual Information Return figures to the regulatory accounts. Where this is the case, NIAUR would expect auditors to issue an opinion confirming consistency of the information in the Annual Information Return and the regulatory accounts as set out in Annex B.

If there are any material differences between the Annual Information Return submission and the regulatory accounts, these should be detailed and explained in a covering letter by the auditors.

Annex 1 - Timetable of submission stages

	Company	Reporter/Auditor
May 2008		NIAUR issues company specific guidance to reporters and/or auditors (copy to company)
May 2008		Reporters submit audit plans to Reporters' Co-ordinator
May 2008		NIAUR approve audit plans and set reporters' Annual Information return ceiling costs
May - August 2008	Clarification process for reporting requirements	
June 2008		Reporters submit short report on progress against audit plans to Reporters' Coordinator
29 August 2008	The company submits their Annual Information returns	
05 September 2008		Reporters/auditors submit their Annual Information return reports
September 2008	Annual Information return query process commences	
November 2008	Annual Information return feedback	
28 November 2008	The company submits their public domain Annual Information return	
5 December 2008		Reporters/auditors submit their public domain Annual Information return reports
December 2008 / January 2009	Public domain Annual Information returns made available via website and NIAUR library	

Annex 2 - Inflation indices

These apply especially in tables 35a and 36a and provide the means to input the annual rate of the Retail Price Index (RPI) and also a measure to show the rate of inflation in construction prices (the Construction Outputs Price Index, or COPI).

Definition RPI financial year average

The average of the monthly all items RPI (published to 1 d.p.) for the twelve month period from April to March. The financial year average is displayed to 1 d.p.

Definition RPI percentage change

Percentage change in the RPI financial year average
The percentage change in the financial year average is calculated as follows:

$$\frac{\text{financial year average} - \text{financial year average (in previous year)}}{\text{financial year average (in previous year)}} \times 100$$

The percentage change should be calculated with the financial year averages for both years at full decimal accuracy. The calculated result is then rounded to 1 d.p.

Definition COPI quarterly figures

The quarterly figures for the Construction Outputs Price Index (COPI).
Input.

Definition COPI financial year average

The average of the four quarterly COPI figures for the period April to March. The COPI figure is published to 0 d.p. The financial year average is displayed to 1 d.p.
For prior years input; for report year, the sum of lines 6, 7, 8 and 9, divided by 4.

COPI percentage change**Definition**

Percentage change in the COPI financial year average

The percentage change in the financial year average is calculated as follows:

$$\frac{\text{Financial year average} - \text{Financial year average (in previous year)}}{\text{Financial year average (in previous year)}} \times 100$$

The percentage change should be calculated with the financial year averages for both years at full decimal accuracy. The calculated result is then rounded to 1 d.p.

Annex 3 - Glossary of terms and abbreviations

above ground supply pipe leakage

- any leakage occurring on the supply pipe [q.v.] beyond the internal stop valve

AD(s) - authorised departure(s)

April 1 - year beginning

auth - authorised

BOD - biochemical oxygen demand

BWD - Bathing Waters Directive

capex - capital expenditure

CCA - current cost accounting

CCD - current cost depreciation

CCTV - closed circuit television

COD - chemical oxygen demand

communication pipe

- that part of the service pipe [q.v.] which runs from a main to, and including a stopcock at, or as close as is reasonably practicable to, the boundary of the property (or street in which the main is laid)

compl, compl'd

- completed

COPI - construction price index

CPNI - centre for the protection of national infrastructure

CSO - combined sewer overflow

The Department

- Department for Regional Development

DI - distribution input

distribution losses

- any leakage from company infrastructure such as trunk mains, service reservoirs, distribution mains and communication pipes

DMA - district metering area

Drought Order

- an Order made under The Water and Sewerage Services (Northern Ireland) Order 2006.

EHS - Environment and Heritage Service

ESL - Enhanced service levels

EU - European Union

excl - excluding, excluded

flooding incident

- an event of internal flooding (q.v.) from a public sewer (whether foul, combined or surface water)

FRS - Financial Reporting Standards

GIS	-	geographical information system
GMEA	-	Gross modern equivalent asset value
GSS	-	Guaranteed Standards Scheme
HCA	-	historic cost accounting
households	-	properties used as single domestic dwellings (normally occupied), receiving water for domestic purposes which are not factories, offices or commercial premises
HSE	-	Health and Safety Executive of Northern Ireland
ICA	-	Instrumentation control and automation
ICS	-	Information capture system
internal flooding	-	flooding which enters a building or passes below a suspended floor
internal plumbing losses	-	any leakage from pipework and fittings within the property not under mains pressure
km	-	kilometres
l/pr/d	-	litres per property per day
LOC	-	local priority scheme
LU	-	loading units
LUT	-	look-up table
m	-	million
March 31	-	year end
MEA, MEAV	-	modern equivalent asset value
m.hd	-	metres head
ml	-	millilitres
MI	-	megalitres
MI/d	-	megalitres per day
MLE	-	maximum likelihood estimation
MNI	-	maintenance non-infrastructure
mst	-	mains stop tap
NEP	-	National Environment Programme
NERA	-	National Economic Research Associates
NI	-	National Insurance
NIO	-	Northern Ireland Office
NISRA	-	Northern Ireland Statistics and Research Agency
non-households	-	properties receiving water for domestic purposes but which are not occupied as domestic premises, or where domestic dwellings are combined with other properties, or where properties are in multiple occupation but only have one standing charge
non-infra	-	non-infrastructure

nr	-	number
NTU	-	nephelometric turbidity units
obs	-	obligations
o/loaded	-	overloaded
opex	-	operational expenditure
overloaded sewer	-	a sewer where the flow from a storm is unable to pass through it due to a permanent problem (e.g. flat gradient, small diameter)
pcc	-	per capita consumption (q.v.)
PCV	-	prescribed concentration or value
p.e.	-	population equivalent
pn-wks	-	person weeks
per capita consumption	-	customer use of water and any internal plumbing losses
prop(s)	-	property(ies)
prop'n	-	proportion
QO	-	quality objectives
RAG	-	Regulatory Accounting Guidelines
RIDDOR	-	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995
RPI	-	retail price inflation
RQO	-	river quality objective
RTU	-	restricted toilet use
SDB	-	Supply demand balance
secs	-	seconds
service pipe	-	so much of any pipe for supplying water from a main to any premises as is subject to water pressure from that main, or would be so subject but for the closing of some valve
sewage	-	the contents of a sewer
sewerage	-	the network of sewer pipes
SIC	-	standard industrial classifications
SIR	-	surface investment requirements
SRM	-	Sewerage Rehabilitation Manual
SS	-	suspended solids
SSSI	-	Site of Special Scientific Interest
SSO	-	storm sewage overflow
ST	-	storm tank
STW	-	sewage treatment works
supply pipe	-	so much of any service pipe [q.v.] as is not a communication pipe [q.v.]
SWAD	-	Surface Water Abstraction Directive
SWD	-	Shellfish Waters Directive
third party	-	anyone who does not act for, or on behalf of, the company. It

		therefore excludes agents, contractors and other parties acting with the authorisation of the company.
ttds	-	thousand tonnes dry solids
UID	-	unsatisfactory intermittent discharges
UKWIR	-	UK Water Industry Research
underground supply pipe leakage	-	any leakage occurring on the supply pipe [q.v.] which usually runs from the boundary of the property (or street in which the main is laid) up to the internal stop valve of the property
uninhabited cellar	-	an integral part of a building that is at least partially below ground level and not used for habitation (where such a cellar is in regular use as part of the normal living accommodation it is termed a basement)
UV	-	ultra-violet
UWWTD	-	Urban Waste Water Treatment Directive
WaSC	-	water and sewerage company
WIP	-	work in progress
wks	-	weeks
WoC	-	water only company
WRc	-	Water Research Centre
WSRA	-	Water Services Regulatory Authority
WSSO	-	Water and Sewerage Services (Northern Ireland) Order 2006
WSZ	-	water supply zone
WTW	-	water treatment works
WUKOHSG	-	Water UK Occupational Health & Safety Group
WWTW	-	waste water treatment works
yr	-	year
>	-	greater than, after
<	-	less than, before

CHANGE CONTROL SHEET

INTRODUCTION

2008/1.0	First issue of chapter for the SBP period