

Chapter 32

Financial measures

Analysis of fixed asset additions and asset maintenance by asset type (Current Cost Accounting)

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These tables have two blocks and a total of 34 lines. They cover the analysis by asset type of fixed asset additions for enhancement and the renewal or replacement of assets for the purpose of maintaining base service.

Guidance

A single table is provided to capture data on capital investment and assets adopted at nil cost by NI Water. It should exclude any expenditure on PPP assets which forms part of the unitary charge payments reported in Table 42 but should include all other capital investment by NI Water.

If the reported expenditure includes investment in PPP assets which the company does not consider to be part of the unitary charge payment reported in Table 42, this should be clearly stated and explained in the commentary.

The tables are separated into water and sewerage service totals, with analysis of expenditure by both infrastructure and non-infrastructure asset classification. Accounting asset type definitions are as given for table 25 and are repeated here for convenience:

Accounting asset type definitions

- **Infrastructure assets** cover the following: underground systems of mains and sewers, impounding and pumped raw storage reservoirs, dams, sludge pipelines and sea outfalls. Information about infrastructure assets is also to be regarded as an infrastructure asset.
- **Non-infrastructure assets** cover the following: intake works, pumping stations, treatment works, boreholes, operational land, offices, depots, workshops, residential properties directly connected with water and sewerage services and land held for the purpose of protecting the wholesomeness of water supplies. Land which is not currently in operational use but is expected to come into use in the foreseeable future, should be included, as should plant and machinery inherent in the nature of the works. It also includes, non-operational plant, machinery, vehicles, surplus land and all other assets not listed above

Expenditure categories

Expenditure on each class of assets is categorised by purpose; either as

- **lines 1-17: Enhancement** where there is a permanent increase in the current level of serviceability; or as
- **lines 18-34: Base service provision** which is required to maintain current levels of serviceability to customers.

Expenditure to maintain **base service provision** may consist of infrastructure assets and non-infrastructure as defined above. Expenditure on infrastructure to maintain base service is equivalent to **Infrastructure Renewals Expenditure**. It should be reported net of any grants and contributions.

Enhancement expenditure covers both infrastructure and non-infrastructure assets. There are three categories of expenditure related to:

- **quality:** where expenditure is required to comply with new legally enforceable quality obligations and other new quality requirements confirmed by Ministerial and Regulatory direction;
- **enhanced service levels:** an enhancement is achieved through the provision of identifiable, measurable, and permanent stepped improvements in service levels above the most recently established company-wide base level of service and which are additional to improvements which result from expenditure in other purpose categories. Allocation of expenditure to enhanced service level should represent expenditure solely for this purpose; and
- **supply/demand balance:** where expenditure provides for new customers with no net deterioration from the current service levels provided to existing customers or accommodates the increased use of water by existing customers at current levels of service.

These three subdivisions are not made in this table but appear in tables 35 and 36. However, **Total additions (enhancement)** in line 17 should be equal to the sum of expenditure in the above three categories that appear in tables 35 and 36. Further guidance can be found in RAG 2.03 **Classification of expenditure**.

Where an investment scheme relates to more than one purpose proportional allocation of expenditure is required. Only the elements of expenditure schemes related to enhancement should appear in lines 1-17. Elements related to base service provision should appear in lines 18-34. This process is defined in guidelines for tables 35 and 36 and repeated here for convenience.

Proportional allocation

- To enhance comparability in the longer term, the company is required to allocate expenditure on projects between service areas and investment purpose categories to at least the nearest 5% of project value;
- Because of the effect that a large individual scheme may have on the allocation of costs to a particular investment category, threshold limits have been set on scheme values, above which investment must be proportionally allocated.

Annual Capital Programme (PC10 price time base)	Threshold scheme/project size for which proportional allocation is required
£ 0 - 10m	£ 10,000
£10m - 100m	£ 50,000
greater than £100m	£100,000

- The company should provide commentary in the return on any material changes in allocation methodology; and
- Proportional allocation may be required between different enhancement categories or to distinguish the elements of a scheme, which relate to enhancement from those which serve to maintain base service.

It should be noted that where enhanced service levels arise from expenditure required for other purpose categories, then only the incremental expenditure (if any) should be allocated to enhanced service level.

Scheme costs relating to different enhancement categories are to be proportioned across the investment categories in relation to the relative capacities of each element of the scheme. A single physical measure should be identified that is appropriate to the purpose category, e.g.

- rate of flow

- equivalent population; or
- hydraulic capacity

Example

An example of proportional allocation is given below

An existing cast iron water main into a distribution zone with a capacity of 2.8 MI/d needs to be replaced as part of the programme to meet Article 31 of the Water and Sewerage Services Order (Northern Ireland) 2006 undertakings for quality in the distribution system. The main is to be constructed with a capacity of 4.3MI/d, to allow for future growth.

Purposes: Quality Compliance and Growth

The scheme would be apportioned as:

$$\frac{\text{Existing Capacity} \times 100}{\text{Proposed Capacity}} \quad \text{i.e.} \quad \frac{2.8 \times 100}{4.3} = 65\% \text{ to Quality}$$

$$\frac{\text{Proposed Capacity} - \text{Existing Capacity} \times 100\%}{\text{Proposed Capacity}} \quad \text{i.e.} \quad \frac{(4.3 - 2.8) \times 100}{4.3} = 35\% \text{ to Growth}$$

Grants and capital contributions

The position with respect to grants and capital contributions is as follows:

- **Additions - (enhancement)** (lines 1 to 14 all columns). Gross of grants and capital contributions;
- **Base service provision - non-infrastructure** (lines 18 to 31 columns 2 and 5). Gross of grants and capital contributions; and
- **Base service provision - infrastructure renewals** (lines 18 to 31 columns 1 and 4). Net of grants and capital contributions.

Table 32 records the movements in the year of fixed assets gross of grants and contributions (with the exception of infrastructure renewals expenditure, which is net of grants). It should be completed in accordance with the principles of RAG 1.04. In the Regulatory Accounts, grants are treated as deferred income and amortised over the life of the asset.

Assets adopted or acquired

Assets that have been adopted or acquired during the year whether at nil cost or in return for a payment (eg mains adopted from a self lay organisation) should be included as additions at their gross MEA value in table 32. This should accord with the treatment in the Regulatory Accounts.

Company commentary

The company should provide commentary in the return on any material changes in allocation methodology. The commentary should set out the company's treatment of adopted and nil cost assets and set out the amounts and the lines in which they have been included. The company should, in addition, provide a reconciliation between the total derived from the addition of lines 17 and 34 in column 7 with the total derived from the addition of line 28 column 4 in Table 35 and line 25 column 4 in Table 36.

Guidance to the Reporter

Commentary is required on proportional allocation of expenditure as indicated in guidelines for tables 35 and 36, and repeated here for convenience:

- The Reporter is asked to confirm that the company has set rules for proportional allocation of expenditure, and that these are reasonable and are followed for project expenditure above the ranges given in the general guidance for the company. The Reporter should indicate the extent to which the company has used proportional allocation versus prime purpose allocation. They should also comment on the types of schemes that were proportionally allocated and give examples of the split between categories where possible.

Chapter 32 line definitions

A ADDITIONS - NEW ASSETS (ENHANCEMENT)

1	Water resource facilities	£m	3dp
Definition	<p>The provision of new, or improvement of existing, water resource assets by accounting asset type (for enhancement purposes).</p> <p>Water resource assets are all dams and impounding reservoirs holding raw water; all pumping stations in raw water systems which include in-line transfer pumping, river intakes, boreholes and wells requiring simple disinfection prior to forwarding into the supply system; and all mains or aqueducts associated with the transfer of raw water either between sources or from source to treatment.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

2	Water treatment works	£m	3dp
Definition	<p>The provision of new, or improvement of existing, water treatment assets by accounting asset type (for enhancement purposes).</p> <p>Water treatment assets are all water treatment works, but excluding simple disinfection associated with groundwater boreholes and wells or secondary disinfection within the distribution system.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

3	Water distribution mains	£m	3dp
Definition	<p>The provision of new, or improvement of existing, water distribution mains assets by accounting asset type for enhancement purposes.</p> <p>Water distribution mains include all mains associated with the supply of water for both industrial and domestic uses including associated pipe bridges, tunnels/conduits, service tunnels and culverts, valves/chambers and system ancillaries. The commentary should note whether this line includes adoptions of mains or communication pipes paid for by third parties, e.g. developers.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

4	Service reservoirs and water towers	£m	3dp
Definition	<p>The provision of new, or improvement of existing, water storage assets by accounting asset type for enhancement purposes.</p> <p>Water storage assets include all treated water service reservoirs and towers within the water supply system, including treated water reservoirs at water treatment works and any secondary disinfection plant on reservoir sites. Include break pressure tanks.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

5	Pumping stations	£m	3dp
Definition	<p>The provision of new, or improvement of existing, water pumping station assets by accounting asset type for enhancement purposes.</p> <p>Water pumping stations include all pumping stations drawing on treated water storage.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

6	Water management and general	£m	3dp
Definition	<p>The provision of new or improvement of existing, water management and general assets by accounting asset type for enhancement purposes.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

7	Sewerage	£m	3dp
Definition	<p>The provision of new or improvement of existing, sewerage assets by accounting asset type for enhancement purposes.</p> <p>Sewerage assets include all foul water, combined and relevant surface water sewers including interceptor sewers, manholes, overflows, tank sewers, siphons and sewage pumping mains. The commentary should note whether this line includes adoptions of sewers paid for by third parties (e.g. developers).</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

8	Sea outfalls and headworks	£m	3dp
Definition	<p>The provision of new or improvement of existing sea outfalls assets by accounting asset type for enhancement purposes.</p> <p>Sea outfalls are all pipelines used for the disposal of foul and surface water and sewage effluent to the marine environment. Sea outfalls includes the length of pipeline below the spring tide high water mark with the section of pipeline above the spring tide high water mark being included within the Sewerage category.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

9	Sewage treatment works	£m	3dp
Definition	<p>The provision of new, or improvement of existing, sewage treatment assets by accounting asset type for enhancement purposes.</p> <p>Sewage treatment works are all sewage treatment works with one or more treatment stages including preliminary, primary, secondary and tertiary treatment. Any interstage pumping facilities and sludge holding tanks with provision for dewatering are to be included. Any sludge facilities other than holding tanks to be included under Sludge treatment.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

10	Sludge treatment works	£m	3dp
Definition	<p>The provision of new, or improvement of existing sludge treatment assets by accounting asset type for enhancement purposes.</p> <p>Sludge treatment works are all sludge treatment plant which changes the nature of the raw sludge prior to its final disposal, excluding sludge holding tanks included under Sewage treatment works.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

11	Sludge disposal	£m	3dp
Definition	<p>The provision of new, or improvement of existing sludge disposal assets by accounting asset type for enhancement purposes.</p> <p>Sludge disposal assets are all plant and transfer arrangements associated with the final disposal of treated sludge including long and short sludge sea outfalls. Sludge disposal vehicles are included under Management and General.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

12	In-line pumping stations	£m	3dp
Definition	<p>The provision of new or improvement of existing in-line pumping station assets by accounting asset type for enhancement purposes.</p> <p>In-line pumping stations include all pumping stations associated with the sewerage system but excluding terminal pumping stations.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

13	Terminal pumping stations	£m	3dp
Definition	<p>The provision of new or improvement of existing, terminal pumping station assets by accounting asset type for enhancement purposes.</p> <p>Terminal pumping stations include all terminal and storm pumping stations, including terminal stations on sewage treatment works sites but excluding interstage pumping within treatment works.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

14	Sewerage management and general	£m	3dp
Definition	<p>The provision of new or improvement of existing sewerage management and general assets by accounting asset type for enhancement purposes.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

15	Total infrastructure additions (Enhancement)	£m	3dp
Definition	The total water service and sewerage service infrastructure additions for enhancement purposes by asset type.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	<p>Calculated field: the sum of infrastructure categories</p> <p>Water service totals:</p> <p>Column 1: the sum of lines 1, 3 and 6</p> <p>Column 3: copied from column 1</p> <p>Sewerage service totals:</p> <p>Column 4: the sum of lines 7, 8, 11 and 14</p> <p>Column 6: copied from column 4</p>		
Responsibility	Network Regulation Team		

16	Total non-infrastructure additions (Enhancement)	£m	3dp
Definition	The total water service and sewerage service non-infrastructure additions for enhancement purposes, analysed between operational and other tangible assets.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated field: the sum of infrastructure categories Water service totals: Column 2: the sum of lines 1 to 6 Column 3: copied from column 2 Sewerage service totals: Column 5: the sum of lines 7 to 14 Column 6: copied from column 5		
Responsibility	Network Regulation Team		

17	Total additions (Enhancement)	£m	3dp
Definition	The total of water service and sewerage service fixed asset type additions for enhancement purposes by accounting asset type.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 15 and 16 for all columns		
Responsibility	Network Regulation Team		

B BASE SERVICE PROVISION

18	Water resource facilities	£m	3dp
Definition	The preservation and (where necessary) the replacement of water resources assets by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in Column 1 should be net of grants and contributions. Water resource assets are all dams and impounding reservoirs holding raw water; all pumping stations in raw water systems which include in-line transfer pumping, river intakes, boreholes and wells requiring simple disinfection prior to forwarding into the supply system; and all mains or aqueducts associated with the transfer of raw water either between sources or from source to treatment.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

19	Water treatment works	£m	3dp
Definition	The preservation and (where necessary) the replacement of water treatment assets by accounting asset type to maintain serviceability. Water treatment assets are all water treatment works, but excluding simple disinfection associated with groundwater boreholes and wells or secondary disinfection within the distribution system.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

20	Water distribution mains	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of water distribution main by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in Column 1 should be net of grants and contributions.</p> <p>Water distribution mains include all mains associated with the supply of water for both industrial and domestic uses, including associated pipe bridges, tunnels/conduits, service tunnels and culverts, valves/chambers and system ancillaries.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

21	Service reservoirs and water towers	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of water storage assets by accounting asset type to maintain serviceability.</p> <p>Water storage assets include all treated water service reservoirs and towers within the water supply system, including treated water reservoirs at water treatment works and any secondary disinfection plant on reservoir sites. Include break pressure tanks.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

22	Pumping stations	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of water pumping stations by accounting asset type to maintain serviceability.</p> <p>Water pumping stations include all pumping stations drawing on treated water storage.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

23	Water management and general	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of water management and general assets by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in column 1 should be reported net of grants and contributions.</p> <p>Water management and general assets include any asset, which cannot be allocated to a specific service area, e.g.</p> <ul style="list-style-type: none"> • offices and depots (offices, central laboratories and depots); • vehicles (cars, vans, lorries and mobile plant); • telemetry systems and outstations (all plant and equipment associated with telemetry, communications equipment and regional ICA systems); and • computers (all PCs, workstations and mainframe computers are to be included). <p>Management and General assets related to both water and sewerage should be allocated between services in the same way as in published Regulatory Accounts.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

24	Sewerage	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of sewerage assets by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in column 4 should be reported net of grants and contributions.</p> <p>Sewerage assets include all foul water, combined and relevant surface water sewers including interceptor sewers, manholes, overflows, tank sewers, siphons and sewage pumping mains.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

25	Sea outfalls and headworks	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of sea outfall assets by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in column 4 should be reported net of grants and contributions.</p> <p>Sea outfalls are all pipelines used for the disposal of foul and surface water and sewage effluent to the marine environment. Sea outfalls include the length of pipeline below the spring tide high water mark, with the section of pipeline above the spring tide high water mark being included within the Sewers category.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

26	Sewage treatment works	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of sewage treatment assets by accounting asset type to maintain serviceability.</p> <p>Sewage treatment works are all sewage treatment works with one or more treatment stages including preliminary, primary, secondary and tertiary treatment. Any interstage pumping facilities and sludge holding tanks with provision for dewatering are to be included. Any sludge facilities other than holding tanks to be included under Sludge treatment.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

27	Sludge treatment works	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of sludge treatment assets by accounting asset type to maintain serviceability.</p> <p>Sludge treatment assets are all sludge treatment plant which changes the nature of the raw sludge prior to its final disposal, excluding sludge holding tanks included under Sewage treatment works.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

28	Sludge disposal	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of sludge disposal assets by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in column 4 should be reported net of grants and contributions.</p> <p>Sludge disposal assets are all plant and transfer arrangements associated with the final disposal of treated sludge including long and short sludge sea outfalls. Sludge disposal vehicles are included as Management and General.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

29	In-line pumping stations	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of in-line pumping station assets by accounting asset type to maintain serviceability.</p> <p>In-line pumping stations: include all pumping stations associated with the sewerage system but exclude terminal pumping stations.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

30	Terminal pumping stations	£m	3dp
Definition	The preservation and (where necessary) the replacement of terminal pumping station assets by accounting asset type to maintain serviceability. Terminal pumping stations includes all terminal and storm pumping stations, including terminal stations on sewage treatment works sites but excluding interstage pumping within treatment works.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

31	Sewerage management and general	£m	3dp
Definition	<p>The preservation and (where necessary) the replacement of sewerage management and general assets by accounting asset type to maintain serviceability. Infrastructure Renewals Expenditure recorded in column 4 should be reported net of grants and contributions.</p> <p>Sewerage management and general assets include any asset, which cannot be allocated to a specific service area, e.g.</p> <ul style="list-style-type: none"> • offices and depots (offices, central laboratories and depots); • vehicles (cars, vans, lorries and mobile plant); • telemetry systems and outstations (all plant and equipment associated with telemetry, communications equipment and regional ICA systems); and <ul style="list-style-type: none"> • computers (all PCs, workstations and mainframe computers are to be included). <p>Management and General assets related to both water and sewerage should be allocated between services in the same way as in published Regulatory Accounts.</p>		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

32	Total infrastructure renewals (base)	£m	3dp
Definition	The total water service and sewerage service infrastructure renewal for the purpose of maintaining base service.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	<p>Calculated field: the sum of infrastructure categories</p> <p>Water service totals:</p> <p>Column 1: the sum of lines 18, 20 and 23</p> <p>Column 3: copied from column 1</p> <p>Sewerage service totals:</p> <p>Column 4: the sum of lines 24, 25, 28 and 31</p> <p>Column 6: copied from column 4</p>		
Responsibility	Network Regulation Team		

33	Total non-infrastructure expenditure (base)	£m	3dp
Definition	The total water service and sewerage service non-infrastructure expenditure for the purpose of maintaining base service, analysed between operational and other tangible asset types. This is treated as 'additions' for accounting purposes.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated field: the sum of non-infrastructure categories Water service totals: Column 2: the sum of lines 18 to 23 Column 3: copied from column 2 Sewerage service totals: Column 5: the sum of lines 24 to 31 Column 6: copied from column 5		
Responsibility	Network Regulation Team		

34	Total expenditure (base service provision)	£m	3dp
Definition	The total water service and sewerage service expenditure for the purpose of maintaining base service.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 32 and 33 for all columns		
Responsibility	Network Regulation Team		

CHANGE CONTROL SHEET

CHAPTER 32

2008/1.0	First issue of chapter for the SBP period
2009/1.0	<ul style="list-style-type: none"> • Second issue of chapter for the SBP period. • Additional separate table for PPP reporting and a third table for NIW + PPP data.
2010/1.0	Third issue of chapter for the SBP period. <ul style="list-style-type: none"> • No changes.
2011/1.0	First issue of chapter for the PC10 period. <ul style="list-style-type: none"> • Reference to PC10 price base.