

## **DBP 2008 – REPORTER SUMMARY**

This summary is based on the audits we undertook on the Draft Business Plan Submission made by South Staffordshire Water to OFWAT on 11 August 2008.

The Company's Strategic Direction Statement revolves around Carbon, Customers and Cost and we consider that the policies and decisions in the Draft Business Plan do take account of these objectives. The Company has undertaken a carbon appraisal (in conjunction with the WRc) to see how carbon can be reduced most cost beneficially. A number of schemes have been proposed that will enable the Company to reduce their carbon emissions. These include metering on change of occupation, cistern displacement devices, improving pumping efficiencies, leakage reduction and in the longer term network reconfiguration to reduce overall pumping head, which is the highest in the industry.

We support the level and mix of schemes in the Company investment programme which is aimed at maintaining the current assets. The Company, in line with its consumer views, does not have specific proposals for service enhancements. In our professional judgement the Company data and commentary supporting the investment programme is an accurate reflection of reality which allows sound risk and investment decisions to be made.

We are satisfied that the Company has undertaken a robust analysis of its supply demand balance which indicates a healthy surplus of water. The schemes included in the programme are ones required to maintain current levels of service and to meet the demands of new development. There is also a programme to deal with growth which includes for further metering of customers. South Staffs has taken a positive approach to water efficiency; this includes anticipating reduced consumption in new homes compared to exiting properties.

We are satisfied that costs for proposed schemes have been based on those contained within the Company's Cost Base wherever practical. South Staffs have used quotations for the majority of other schemes. We were satisfied that all the costs are central estimates and were pleased to see that no contingency allowance had been included in any of the estimates.

The Company has carried out a full asset valuation update for all its assets. Condition grades for assets have been based on actual observations for overground assets whilst the recent Water UK guidelines have been used for the mains conditions. We support the methods used to ascertain the asset valuations and we have seen the asset registers which are comprehensive and contain detailed information about both underground and overground assets.

Our assessment is that the Company has made reasonable assumptions about its future operating and capital efficiency targets based on judgements of anticipated input price rises and the achievement of actual efficiencies of between 1% and 2% per annum before the application of those input price rises.

At our audits we raised a number of challenges, which are documented in our individual section commentaries. The Company responded to all of these and on completion of our audits we had no remaining concerns.