

December 2021

Regulatory reporting requirements for new appointees in 2021-22

Guidelines and line definitions

About this document

This document sets out the **regulatory reporting requirements for new entrant water companies** in the 2021-22 reporting year (1 April 2021 to 31 March 2022).

These guidelines and [our conclusions](#) provide notice of, and reasons for, revisions to the Regulatory Accounting Guidelines (RAGs) relating to new appointees. New appointees in England and Wales must follow these guidelines in preparing their annual performance reports (APRs) that they are required to publish about their regulated businesses. This is in addition to the statutory accounts required by the Companies Act 2006. Unless revised by Ofwat, these guidelines will apply in subsequent reporting years.

These guidelines are accompanied by [reporting tables](#) that are to be submitted and published by new appointees alongside their annual performance reports each year.

The new appointments and variations (**NAV**) framework enables new entrant companies (**new appointees**) to replace an existing company (**incumbent**) as the provider of water and/or wastewater services in a specific geographical area in England and Wales.

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1. Introduction

1.1 Background

The new appointments and variations (**NAV**) framework enables new entrant companies (**new appointees**) to replace an existing company (**incumbent**) as the provider of water and/or wastewater services in a specific geographical area in England and Wales.

Reflecting their circumstances, they have different regulatory reporting requirements than regional incumbent companies, which are subject to full price controls.

We [concluded](#) on the regulatory reporting for new appointees in December 2021, following previous consultations earlier that year.

In some circumstances, we may ask some new appointees for more information than is set out below, to address certain company-specific issues. This may include evidence of financial security. If required, we will discuss this with the company to explain what information we require and when it should be submitted.

1.2 Applicability

These guidelines are intended to apply to all companies that have been appointed under the NAV framework and are not subject to full price controls.

In practice, this means all companies with instruments of appointment (licences) in which certain paragraphs of Condition B do not currently apply. Unlike incumbents, this is currently the case for all new appointees.¹

1.3 Structure of this document

The rest of this document is structured as follows:

- reporting requirements for new appointees, including specific reporting requirements for new appointees (in section 2.1) and clarity on which parts from the main Regulatory Accounting Guidelines (RAGs) apply to new appointees (in section 2.2); and
- line definitions to support financial and performance reporting tables for new appointees.

¹ As of 2021, depending on the new appointee's licence, these are paragraphs 3 – 16, 3 – 17 or 3 – 18 of Condition B.

2. Reporting requirements for new appointees

2.1 Specific requirements for new appointees

2.1.1 Performance summary

New appointees are to produce a customer-focused performance summary for the reporting year. It should be published on their websites at the same time as it is submitted to Ofwat.

At a minimum, we would expect this to include narrative on:

- how the company is delivering for its customers and the environment, particularly in terms of customer service, operational performance and resilience;
- how the company has complied with the ‘no worse off’ principle (customers, or future customers, should overall be no worse off than if they had been supplied by the previous appointee or incumbent company); and
- a high-level summary of payments made under the guaranteed standards scheme (GSS) – for each GSS standard, the summary should include:
 - the minimum GSS payment amount;
 - the number of failures; and
 - the total amount of compensation paid.

New appointees should also consider how best to communicate their performance against the performance measures in tables P1 to P4 in a format that is meaningful and accessible to their customers and other stakeholders.

2.1.2 Corporate and board structures

New appointees are to explain their corporate and board structures, including their approach to governance arrangements, in their annual performance reports. This could include how the regulated company is positioned within wider corporate groups.

2.1.3 Board statement on accuracy and completeness of data and information

In addition to the requirement to provide a board statement of the accuracy and completeness of data and information (see RAG 3), new appointees are to provide a statement confirming whether any third-party assurance or audit has been undertaken in relation to their regulatory reporting.

2.1.4 Financial security

New appointees are required to maintain sufficient access to finance. While this is assessed at the point of a new appointee's licence application, and when there is a variation for a new site, we consider that to protect customers it is important that we continue to monitor new appointees' access to finance on an annual basis. We require companies to confirm that they continue to maintain the sufficient financial security requirements that are required at the point of a licence grant or variation as set out in our [NAV policy document](#).

Where the security includes a Parent Company Guarantee (PCG), loan facility or bond or other financial instrument, then the degree to which the facility has been drawn on should be set out in the explanation.

In general, the minimum level of financial security required is calculated as one year's annual operating costs required to supply the number of connections the business is projected to have in two years' time (as included in granted applications and current applications).

2.1.5 Company-based assessment (applies to successful applicants)

Some new appointees apply for a company-based assessment of financial viability. As part of this, the new appointee will have supplied detailed financial projections. The expected future profitability and predicted growth of the company will be considered along with its current financial security arrangements and reported actual financial information. If an application is successful, each year we will review whether a company-based assessment remains appropriate for the new appointee. As part of the review, we will compare the financial projections originally provided by the new appointee to table F1.

Within their annual reporting, new appointees are to provide commentary explaining significant variations in revenue, costs and operating profit in table F1 compared to the expected values in the financial projections for that year submitted as part of the company-based assessment application.

New appointees should also consider if the remaining financial projections for future years are still appropriate or if they need to be updated to reflect changing assumptions or external factors. New appointees are to provide explanatory narrative confirming that the financial projections have been revisited and updated financial projections (if appropriate).

2.2 Requirements adapted from the main Regulatory Accounting Guidelines

The following tables clarify which sections of the main Regulatory Accounting Guidelines, as they apply to incumbents, also apply to new appointees. Table 2.1 sets out the extent to which

each guideline applies to new appointees. Table 2.2 sets out how sections of the main Regulatory Accounting Guidelines (as of December 2021) are where relevant adjusted for new appointees. New appointees should have regard to future revisions to the main RAGs, in light of tables 2.1 and 2.2, when considering what to include in their annual reporting.

Table 2.1 – Applicability of the main Regulatory Accounting Guidelines to new appointees

Regulatory Accounting Guideline	Applicability to new appointees
RAG 1 – Principles and guidelines for regulatory reporting under the ‘new UK GAAP’ regime	Applies in full.
RAG 2 – Guideline for classification of costs	Applies with relevant adjustments as set out in this document.
RAG 3 – Guideline for the format and disclosures for the annual performance report	Applies with relevant adjustments as set out in this document.
RAG 4 – Guideline for the table definitions in the annual performance report	Does not apply to new appointees. Replaced by section 3 of this document.
RAG 4 Appendix 1 (Income categorisation)	Applies in full.
RAG 4 Appendix 2 (Water resources further guidance)	Does not apply to new appointees.
RAG 4 Appendix 3 (Sludge boundaries)	Does not apply to new appointees.
RAG 4 Appendix 4 (Cumulative totals for enhancement capital expenditure)	Does not apply to new appointees.
RAG 5 – Guideline for transfer pricing in the water and sewerage sectors	Applies in full.

Table 2.2 – Sections of the main Regulatory Accounting Guidelines that apply to new appointees

Area	Item	Reference as of December 2021 (with adjustments where appropriate)
Cost allocation	Cost allocation principles	RAG 2, paragraph 2.1
Cost allocation	Allocation of capital costs between price control units	RAG 2, paragraphs 2.3 to 2.5
Cost allocation	Allocation of operating costs between retail and wholesale	RAG 2, Section 3 (in the table on cost drivers, regulatory overhead costs to be allocated 1/3 to retail and 2/3 to wholesale for water and sewerage companies, 1/2 to retail and 1/2 to wholesale for single-service companies, or an alternative allocation with an appropriate explanation)
Cost allocation	Allocation of retail operating costs between residential and business	RAG 2, Section 4
Cost allocation	Allocation of residential retail operating costs between measured and unmeasured services	RAG 2, Section 5
Cost allocation	Third-party services	RAG 2, Section 8

Accounting disclosures	Statement on executive pay and performance	RAG 3, paragraphs 3.3, 3.4, 3.6 (first nine bullets only – aligned with statutory requirements and excludes PR19 expectations)
Accounting disclosures	Statement on dividend policy and explanation of dividends paid	RAG 3, paragraphs 3.11 to 3.17 (except for paragraphs 3.13 and 3.15 which refer to PR19 expectations)
Accounting disclosures	Revenue recognition note	RAG 3, paragraph 3.20 (first bullet point only – a description of adjustments between statutory and regulatory turnover)
Accounting disclosures	Bad debt note	RAG 3, paragraphs 3.22 to 3.25
Accounting disclosures	Ring-fencing certificate or certificate of adequacy	RAG 3, paragraphs 3.27 to 3.29
Accounting disclosures	Differences between statutory and RAG definitions	RAG 3, paragraphs 3.32 to 3.33
Narrative on performance	Board statement on accuracy and completeness of data and information	Paragraphs 4.41 to 4.44 (with an additional statement confirmation whether any third-party assurance or audit has been undertaken – see section 2.1 of this document)
Transactions with associates and the non-appointed business	Transactions with associates and the non-appointed business	RAG 3, Section 5 (with the threshold for declaring single transactions reduced from £100,000 to £10,000 for new appointees)
Accounting methodology statement	Accounting methodology statement	Replaced with section 2.3 of this document

2.3 Accounting policy and methodology note

This section sets out our requirements for the disclosures to be included in new appointees' accounting policy and methodology note. Each new appointee must publish its note either within its annual performance report, or adjacent to its annual performance report on its website.

The focus of the note will be to describe how costs are reported across:

- household and non-household retail services; and
- water and wastewater services.

The note should summarise the basis of the allocation of operating costs and assets and any major changes in the year. New appointees should state that the accounts have been drawn up in accordance with 'RAG 2 – Guideline for classification of costs across the price controls'.

Household and non-household split

New appointees should:

- confirm they have followed the principles and guidance set out in RAG 2;
- describe the method or cost driver that the company has used to calculate allocations between household and non-household retail services (where specific guidance has not been prescribed);
- provide commentary where there has been a change to the methodology compared to the previous year, give reasons for the change and quantify the impact; and
- describe significant changes in reported costs compared to the previous year.

Water and wastewater services

New appointees should:

- confirm they have followed the principles and guidance set out in RAG 2;
- provide an explanation of how the company has disaggregated the operating costs across water and wastewater services for each cost type, specifying cost drivers where necessary;
- provide commentary where there has been a change to the methodology compared to the previous year, give reasons for the change and quantify the impact; and
- describe significant changes in reported costs compared to the previous year.

3. Line definitions for new appointees

3.1 Financial reporting

For the 12 months ended 31 March 20xx.

Only costs and revenues related to appointed (regulated) business activities should be included in the following tables. Please see guidance on income categorisation in appendix 1 of RAG 4 ([RAG 4.09 Appendix 1](#)).

To be reported on a regulated company basis.

Pro forma F1: Analysis of revenue and operating costs

Line	Title	Definition
F1.1	Unmeasured - household	All revenue derived from: <ul style="list-style-type: none"> the sale of water at tariff basket charges; optional unmeasured water charges at standard rates for example, for hosepipes and swimming pools; and the provision of sewerage services at tariff basket charges, to households other than on a measured basis.
F1.2	Unmeasured – non-household	All revenue derived from: <ul style="list-style-type: none"> the sale of water at tariff basket charges; and the provision of sewerage services at tariff basket charges to non-households other than on a measured basis.
F1.3	Measured – household	All revenue accrued from the sale of water and from the provision of sewerage services at tariff basket charges to households where all or some of the charges for the supplies are based on measured quantities of volume.
F1.4	Measured – non-household	All revenue accrued from the sale of water and from the provision of sewage treatment and disposals at tariff basket charges to non-households where all or some of the charges for the supplies are based on measured quantities of volume. Exclude reception, treatment and disposal of trade effluent.
F1.5	Other	All other sources of revenue for water and sewerage services that are not reported in lines F1.1 to F1.4. Include revenues from large users, special agreements, revenue grants, rechargeable works, and other appointed business. Grants and contributions, adopted assets Companies may recognise grants and contributions in the income statement under UKGAAP. This may be as revenue, by netting off opex, another income line or by amortisation over the life of the asset. We require that all such income be shown as ‘other income’ in line S1.16 and not reflected here. Amortised credits should be recorded in this line where recognition of the asset is spread over a number of years.
F1.6	Total revenue	The sum of lines F1.1 to F1.5.
F1.7	Customer service - household	The costs associated with providing the following services for the appointee’s household customers: <ul style="list-style-type: none"> billing;

		<ul style="list-style-type: none"> • payment handling, remittance and cash handling; • charitable trust donations; • vulnerable customer schemes; • non-network customer enquiries and complaints; • network customer enquiries and complaints; and • investigatory visits (where the cause of the investigation is not a network issue). <p>Excludes customer services costs incurred in providing services to a third party's customers.</p>
F1.8	Debt management - household	All costs relating to the management of debt recovery for the appointee's household customers – monitoring of outstanding debt, including issue of reminders and follow up telephone calls, managing and monitoring field recovery of debt, includes costs of customer visits, managing and monitoring external debt collection routes including debt collection agencies and legal. Excludes costs incurred relating to the management of debt recovery for a third party's customers.
F1.9	Doubtful debts - household	The charge/credit to the profit and loss account for bad and doubtful debts for household customers. This should include only the appointee's doubtful debts and not doubtful debts relating to a third party.
F1.10	Meter reading - household	Costs associated with meter reading for household customers – including ad hoc read requests, cyclical reading, scheduling, transport, physical reading, reading queries and read processing costs, managing meter data plus supervision and management of meter readers. Income from meter reading commission should be netted off these costs. Excludes costs associated with meter reading for third parties.
F1.11	Other operating costs - household	Any other operating costs (i.e. excluding interest and taxation) incurred serving household customers, on an aggregated basis. Include the costs of (among other costs): <ul style="list-style-type: none"> • provision of offices; • insurance premiums; • net retail expenditure on demand-side water efficiency initiatives; • net retail expenditure on customer side leaks; • other direct costs; • general and support expenditure; and • other business activities.
F1.12	Local authority and cumulo rates - household	The cost of local authority rates. This should include both the local authority and cumulo rates. Only costs related to serving household customers to be included.
F1.13	Total household operating costs	The sum of lines F1.7 to F1.12.
F1.14	Customer service – non-household	The costs associated with providing the following services for non-household customers: <ul style="list-style-type: none"> • billing; • payment handling, remittance and cash handling; • non-network customer enquiries and complaints; • network customer enquiries and complaints; and • investigatory visits (where the cause of the investigation is not a network issue).
F1.15	Debt management – non-household	All costs relating to the management of debt recovery for non-household – monitoring of outstanding debt, including issue of reminders and follow up telephone calls, managing and monitoring field recovery of debt, includes costs of customer visits, managing and monitoring external debt collection routes including debt collection agencies and legal, including notification of disconnections to non-household customers.

F1.16	Doubtful debts – non-household	The charge/credit to the profit and loss account for bad and doubtful debts for non-household. This should include only the appointee's doubtful debts and not doubtful debts relating to a third party.
F1.17	Meter reading – non-household	Costs associated with meter reading for non-household customers – including ad hoc read requests, cyclical reading, scheduling, transport, physical reading, reading queries and read processing costs, managing meter data plus supervision and management of meter readers. Income from meter reading commission should be netted off these costs. Excludes costs associated with meter reading for third parties.
F1.18	Services to developers	The operating costs of providing services to developers, to include: provide developer information – deal with questions from developers where physical aspects of infrastructure are required to change, investigate and advise on implications; provide connections for developers – including project management, contracting with third parties; and administration for new connections.
F1.19	Other operating costs – non-household	Any other operating costs (i.e. excluding interest and taxation) incurred serving non-household customers, on an aggregated basis. Include the costs of (among other costs): <ul style="list-style-type: none"> • provision of offices; • insurance premiums; • disconnections; • demand-side water efficiency initiatives; • customer side leaks; • other direct costs; • general and support expenditure; and • other business activities.
F1.20	Local authority and cumulo rates – non-household	The cost of local authority rates. This should include both the local authority and cumulo rates. Only costs related to serving non-household customers to be included.
F1.21	Total non-household operating costs	The sum of lines F1.14 to F1.20.
F1.22	Power	All energy costs, including the climate change levy and the carbon reduction commitment.
F1.23	Service charges/discharge consents	Total cost of service charges by the Environment Agency / Natural Resources Wales or the Canal & River Trust for discharge consents.
F1.24	Bulk Supply/Bulk discharge	Total payments for bulk imports/exports. Where a company jointly owns a supply, the costs associated with it should not be reported here but in the appropriate cost line.
F1.25	Other operating costs – wholesale	Any other operating costs relating to the wholesale business (ie. excluding interest, taxation and local authority rates). This should exclude finance charges associated with operating leases. This should exclude any costs associated with third party services.
F1.26	Local authority rates	The cost of local authority rates. This should include both the local authority rates, cumulo rates and sewerage site rates (where appropriate).
F1.27	Total operating costs – retail and wholesale	Sum of lines F1.13, F1.21, F1.22, F1.23, F1.24, F1.25 and F1.26.
F1.28	Depreciation – retail	Positive value of depreciation on assets used for the retail business only. Value should also include amortisation of deferred credits and intangible fixed assets.
F1.29	Depreciation – wholesale	Positive value of depreciation on assets used for the wholesale business only. Value should also include amortisation of deferred credits and intangible fixed assets.
F1.30	Total depreciation	The sum of lines F1.28 and F1.29.

F1.31	Total operating profit	The sum of line F1.6, minus F1.27 and F1.30.
F1.32	Other Income	Grants and contributions, adopted assets Companies may recognise grants and contributions in the income statement under UKGAAP. This may be as revenue, by netting off opex, another income line or by amortisation over the life of the asset. We require that all such income be shown as 'other income' in this line. Amortised credits should be recorded in this line where recognition of the asset is spread over a number of years.
F1.33	Interest income	Interest income includes interest received on cash deposits, loans to group companies, etc.
F1.34	Interest expense	Interest expense includes interest paid on loans, leases, debenture, floating rate debt, overdrafts, preference shares and all other borrowings.
F1.35	Profit before tax	The sum of lines F1.31, F1.32 and F1.33, minus F1.34.
F1.36	UK Corporation tax	The current tax charge on profits from ordinary activities. This will include mainstream corporation tax, income and other taxes. It should exclude any deferred tax charge which is to be reported separately. A positive number for tax credit, negative number for tax charge.
F1.37	Deferred tax	The movement in the deferred tax provision. A positive number for tax credit, negative number for tax charge.
F1.38	Profit for the year	The sum of lines F1.35, minus F1.36 & F1.37.
F1.39	Dividends	Dividends declared by the company in the year.

Pro forma F2: Reconciliation of Regulatory to Statutory reporting for the 12 months ended 31 March 20xx

Column	Title	Definition
1	Statutory	Revenue / operating profit / profit for the year as reported in the statutory accounts.
2	Differences between Statutory and RAG definitions	Total value of any adjustments required to revenue / operating profit / profit for the year to align with RAG definitions and guidelines.
3	Non-appointed	Total value of any adjustments required to revenue / operating profit / profit for the year to remove costs and revenue associated with non-appointed business.
4	Total adjustments	Sum of Column 2 and Column 3.
5	Total appointed activities	Sum of Column 1 minus Column 4.

Pro forma F3: Statement of financial position

Line	Title	Definition
F3.1	Fixed assets	Historical cost net book value of tangible fixed assets at the end of the financial year.
F3.2	Intangible assets	Total value of any intangible assets (not physical in nature) at the end of the financial year.

F3.3	Investments – loans to group companies	Loans made to other group companies repayable in more than one year.
F3.4	Investments – other	All investments, excluding those in line F3.3, e.g. shares in other group companies.
F3.5	Financial instruments	Difference between book value and fair value of any non-current assets relating to financial instruments, including options, futures, forwards and swaps, which are presented at fair value in the statutory accounts.
F3.6	Retirement benefit assets	The total amount due to employees in the pension scheme for all of the past service completed up to the balance sheet date, less scheme assets. Where this calculation results in a net asset it should be shown in this line.
F3.7	Total non-current assets	Historical cost total fixed assets. Equal to the sum of lines F3.1 to F3.6.
F3.8	Inventories	Stocks held at the year end. Stocks consist of consumable stores and work in progress, including chemicals, stationery, petrol, backfill materials, etc.
F3.9	Trade & other receivables	Debtors consist of all amounts owing to the company at the financial year end including trade debtors, prepayments and accrued income. This includes amounts falling due after more than one year. Any assets held for sale should also be included here.
F3.10	Financial instruments	Difference between book value and fair value of any current assets relating to financial instruments, including options, futures, forwards and swaps, which are presented at fair value in the statutory accounts.
F3.11	Cash & cash equivalents	Cash consists of cash in hand and at bank and short term deposits. Overdraft balances should not be netted off as they should be included separately in 'Trade & other payables'.
F3.12	Total current assets	Equal to the sum of lines F3.8 to F3.11.
F3.13	Trade & other payables	Trade creditors, accrued interest and any other accruals or creditors due within one year that are not borrowings, tax creditors, capex creditors or liabilities arising from derivative financial instruments.
F3.14	Capex creditor	Capital expenditure creditors due within one year.
F3.15	Borrowings	Balances due within one year which comprise: <ul style="list-style-type: none"> • obligations under leases; • loans due to other group companies; • redeemable debentures; • bonds; • commercial paper; • bills of exchange; • bank loans; and • any other borrowings. Accrued interest on borrowings should not be included.
F3.16	Financial instruments	Difference between book value and fair value of any current liabilities relating to financial instruments, including options, futures, forwards and swaps, which are presented at fair value in the statutory accounts.
F3.17	Current tax liabilities	Corporation tax payable consists of any balances of corporation tax due to HMRC.
F3.18	Provisions	Total provisions for liabilities and charges due within one year. Includes deferred income – grants and contributions and all other provisions including restructuring or reorganisation provisions.
F3.19	Total current liabilities	All creditors due to be paid within one year. Equal to the sum of lines F3.13 to F3.18.
F3.20	Net current assets/ (liabilities)	Historical cost net current assets. Equal to the sum of lines F3.12 and F3.19.

F3.21	Trade & other payables	Trade creditors, accrued interest and any other accruals or creditors due after more than one year that are not borrowings, tax creditors, capex creditors or liabilities arising from derivative financial instruments.
F3.22	Borrowings	Balances due after more than one year which comprise: obligations under leases; <ul style="list-style-type: none"> • loans due to other group companies; • redeemable debentures; • bonds; • commercial paper; • bills of exchange; • bank loans; and • any other borrowings. Accrued interest on borrowings should not be included.
F3.23	Financial instruments	Difference between book value and fair value of any non- current liabilities relating to financial instruments, including options, futures, forwards and swaps, which are presented at fair value in the statutory accounts.
F3.24	Retirement benefit obligations	The total amount due to employees in the pension scheme for all of the past service completed up to the balance sheet date, less scheme assets. Where this calculation results in a net liability it should be shown in this line.
F3.25	Provisions	Total provisions for liabilities and charges due after one year not included elsewhere in the table. Includes restructuring or reorganisation provisions.
F3.26	Deferred income – grants & contributions	Balance of deferred income relating to capitalised grants and contributions received.
F3.27	Deferred income – adopted assets	Balance of deferred income relating to adopted assets.
F3.28	Preference share capital	Nominal value of the preference share capital.
F3.29	Deferred tax	Provision for tax liabilities arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. (A deferred tax asset should be entered as a positive number.)
F3.30	Total non-current liabilities	Total creditors due after one year. Equal to the sum of lines S3.21 to S3.29.
F3.31	Net assets	Total assets employed by the business under the historical cost accounting convention. Equal to the sum of lines S3.7, S3.20 and S3.30.
F3.32	Called up share capital	Nominal value of the ordinary shares of the company which are issued and fully paid.
F3.33	Retained earnings and other reserves	Cumulative balance of historical cost profits retained and any other reserves, other than called up share capital.
F3.34	Total Equity	Total of shareholders' funds. The sum of called up share capital, share premium, profit and loss account, and other reserves. This equals line F3.31.

Pro forma F4: Statement of cashflows

Line	Title	Definition
F4.1	Operating profit	Operating profit before tax and interest. This is equal to line F1.31.
F4.2	Other income	The cash impact of 'other income' in line F1.32.
F4.3	Depreciation	The negative value of depreciation and amortisation of tangible and intangible assets.

F4.4	Amortisation – Grants and contributions	The statutory values in the first column should be offset by adjustments such that any amortisation will be recorded as ‘other income’ in the regulatory accounts.
F4.5	Changes in working capital	The total movement in working capital.
F4.6	Pension contributions	Any difference between the pension contributions paid in the year and the charge included in operating costs.
F4.7	Movement in provisions	The negative value of any other non-cash profit and loss items which affect operating profit.
F4.8	Profit on sale of fixed assets	The negative value of net current cost profit/loss on disposal of fixed assets.
F4.9	Cash generated from operations	Net cash flow movement from the operating activities of the company. The sum of lines F4.1 to F4.8.
F4.10	Net interest paid	Net of interest received, interest paid, interest on lease rentals and non-equity dividends paid.
F4.11	Tax paid	All cash flows to or from taxation authorities (or other group companies) in respect of the company's revenue and capital profits including corporation tax paid/received and group taxation payments/receipts by the company in the year.
F4.12	Net cash generated from operating activities	The sum of lines F4.9 to F4.11.
F4.13	Capital expenditure	Gross purchase price of fixed assets paid before the deduction of any grants and contributions.
F4.14	Grants and contributions	All grants and contributions which are accounted for as reductions in capital expenditure.
F4.15	Disposal of fixed assets	Cash proceeds received in the year on the sale of fixed assets
F4.16	Other	Other movements not already included in lines F4.13 to F4.15.
F4.17	Net cash used in investing activities	The net cash flow of the company relating to the acquisition or disposal of any asset held as a fixed asset. The sum of lines F4.13 to F4.16.
F4.18	Net cash generated before financing activities	The sum of lines F4.12 and F4.17.
F4.19	Equity dividends paid	The total equity dividend paid by the company in the year. This includes any special dividends paid in the year.
F4.20	Net loans received	The receipts from any loans taken out in the year. These include the proceeds of any loans taken out from other group companies. Repayments should be netted off.
F4.21	Cash inflow from equity financing	The net proceeds of any share issues received in the year, less the cost of any share buy backs.
F4.22	Net cash generated from financing activities	The net effect on cash flow after repaying the capital element of leases, raising / repaying loans and share issues. The sum of lines F4.19 to F4.21.
F4.23	Increase/(decrease) in net cash	The net cash flow of the company in the year measured by the change in the level of cash. The sum of lines F4.18 and F4.22.

Pro forma F5: Net debt analysis (appointed activities) at 31 March 20xx

Figures for this table should be derived using granular data on financial instruments embedded in company balance sheets. Companies should include all debt relevant to the

regulated company, even where this has been taken out by an associate or financing subsidiary. Unless otherwise indicated, borrowings should be entered as positive numbers.

	Title	Definition
Line		
F5.1	Borrowings (excluding preference shares)	<p>Borrowings such as:</p> <ul style="list-style-type: none"> • obligations under leases; • loans due to other group companies; • redeemable debentures; • bonds; • commercial paper; • bills of exchange; • bank loans; and • any other borrowings. <p>The following should not be included:</p> <ul style="list-style-type: none"> • accrued interest on borrowings; • mains deposits; • issuance costs or transaction costs; • premiums or discounts; • fair value accounting adjustments which do not impact on the principal sum outstanding on the debt or the total interest paid. For example when financial instruments, such as interest rate swap agreements are presented at fair value. • liabilities arising per IFRS16 in connection with the recognition of DPC arrangements on the balance sheet of the regulated company. <p>Where there is a difference between 'Borrowings' as reported in column 'Total appointed activities' of table F3 (i.e. the sum of lines F3.15 and F3.22) and table F5 a reconciliation of the differences should be provided. The reconciliation should clearly explain the rationale for making the adjustment.</p> <p>Where borrowings have been swapped, the principal outstanding should be assigned to categories based on the nature of the payable leg of the swap (e.g. a loan swapped from fixed to floating should be categorized as floating).</p>
F5.2	Preference share capital	Nominal value of the preference share capital. This should equal 'Preference share capital' as reported in column 'Total appointed activities' of table F3 (i.e. line F3.28).
F5.3	Total borrowings	The sum of lines F5.1 and F5.2.
F5.4	Cash	Cash in hand and at bank at the year-end. This should be entered as a negative number.
F5.5	Short term deposits	Investments which are readily convertible into known amounts of cash. This may include deposits made with group companies. This should be entered as a negative number.
F5.6	Net debt	The sum of lines F5.3 to F5.5.
Column		
1	Financing available	Name of all providers of loan facilities or guarantees. Companies are to input this information.
2	Total facility available	Total value of any loan facilities or guarantees available to the company for the purposes of meeting financial security requirements or to fund new capital investment.

3	Amount drawn	Value currently drawn down from available facilities or guarantees provided.
4	Amount undrawn	Column 2 minus Column 3.
5	Interest rate	Interest rate applicable.
6	Maturity date	The current maturity or term date of the loan facilities or guarantees provided. To be provided in a day/month/year format.

3.2 Performance reporting

To be reported on a site-by-site basis.

Pro forma P1: Performance – non-financial information

Column	Title	Definition
1	Unique ID	Unique identifier for each site. Format to be developed by new appointees to ensure comparability between reporting years.
2	Site name	Name of each individual site area for which an appointment is currently held.
3	Incumbent region (water)	Name of the incumbent water company that originally served each area of appointment. Where an area was previously served by a new appointee, instead provide the name of the original large incumbent company.
4	Incumbent region (wastewater)	Name of the incumbent wastewater company that originally served each area of appointment. Where an area was previously served by a new appointee, instead provide the name of the original large incumbent company.
5	Postcode	Postcode for the site. This is to be in full and include a space between the outward and inwards codes (e.g. "B5 4UA" not "B54UA"). Where a site covers multiple postcodes, a single point should be used that is either based on the geographical centre of the site or which best reflects the location of most household properties on the site.
6	Properties – Water only – Number of household properties (000s)	Total number of residential connections billed for a water only service within the supply area. Excludes void properties.
7	Properties – Water only – Number of non-household properties (000s)	Total number of business connections billed for a water only service within the supply area. Excludes void properties.
8	Properties – Water only – Number of void household properties (000s)	Total number of void household properties for a water only service within the supply area.
9	Properties – Water only – Number of void non-household properties (000s)	Total number of void non-household properties for a water only service within the supply area.
10	Properties – Water only – Total properties (000s)	The sum of Columns 6 to 9.

11	Properties – Water and wastewater – Number of household properties (000s)	Total number of residential connections billed for a water and wastewater service within the supply area. Excludes void properties.
12	Properties – Water and wastewater – Number of non-household properties (000s)	Total number of business connections billed for a dual water and wastewater service within the supply area. Excludes void properties.
13	Properties – Water and wastewater – Number of void household properties (000s)	Total number of void household properties for a dual water and wastewater service within the supply area.
14	Properties – Water and wastewater – Number of void non-household properties (000s)	Total number of void non-household properties for a dual water and wastewater service within the supply area.
15	Properties – Water and wastewater – Total properties (000s)	The sum of Columns 11 to 14.
16	Properties – Wastewater only – Number of household properties (000s)	Total number of residential connections billed for a wastewater only service within the supply area. Excludes void properties.
17	Properties – Wastewater only – Number of non-household properties (000s)	Total number of business connections billed for a wastewater only service within the supply area. Excludes void properties.
18	Properties – Wastewater only – Number of void household properties (000s)	Total number of void household properties for a wastewater only service within the supply area.
19	Properties – Wastewater only – Number of void non-household properties (000s)	Total number of void non-household properties for a wastewater only service within the supply area.
20	Properties – Wastewater only – Total properties (000s)	The sum of Columns 16 to 19.
21	Metering penetration (households only) – Metered properties	Total number of household properties with a metered water connection within the supply area.
22	Metering penetration (households only) – Unmetered properties	Total number of household properties without a metered water connection within the supply area.
23	Annual site volumes – Households – Water (Ml/yr)	Estimated/calculated annual total consumption of residential properties that are supplied with water on a site by site basis. This figure applies to billed residential properties and excludes underground supply pipe leakage. Underground supply pipe leakage is any loss of water from the underground supply pipe.
24	Annual site volumes – Households – Wastewater (Ml/yr)	Volume of sewage discharged to the sewerage area and billed. Companies should include sewage collected from residential properties supplied by all water supply companies within their sewerage area. Note that this should be the volume for which customers are billed in the year and is therefore the

		volume registered by customers' water meters adjusted by the company's non-return to sewer allowance. The reported volume must therefore exclude meter-under registration and any supply pipe leakage that customers are not charged for. It should include external supply pipe leakage as long as charges for this are not refunded to customers.
25	Annual site volumes – Non-households – Water (Ml/yr)	Estimated/calculated annual total consumption of business properties that are supplied with water on a site by site basis. This figure applies to billed business properties and excludes underground supply pipe leakage. Underground supply pipe leakage is any loss of water from the underground supply pipe.
26	Annual site volumes – Non-households – Wastewater (Ml/yr)	Volume of water delivered to businesses returned as sewage to the sewer in the sewerage area and billed. Companies should include sewage collected from business properties supplied by all water supply companies within their sewerage area. Note that this should be the volume for which customers are billed in the year and is therefore the volume registered by customers' water meters adjusted by the company's non-return to sewer allowance.
27	Length of mains (km)	Total length of potable and non-potable water mains on 31 March of the reporting year. Excludes communication and supply pipes.
28	Length of sewers (km)	Total length of sewer (including rising mains) on 31 March of the reporting year. Includes the length of the entire network, including sewers that transferred to their responsibility under the Transfer of Public Sewers Regulations 2011.

Pro forma P2: Performance – retail

Column	Title	Definition
1	Unique ID	Copied from Column 1 of P1.
2	Site name	Copied from Column 2 of P1.
3	Incumbent region (water)	Copied from Column 3 of P1.
4	Incumbent region (wastewater)	Copied from Column 4 of P1.
5	Complaints (households)	Total number of complaints received by the new appointee from household customers in any format or channel, including complaints received via written, telephone and digital channels. Should be aligned to CCWater's industry-wide definition of complaints (for example, see its August 2019 reporting guidance).
6	Complaints (non-households)	Total number of complaints received by the new appointee from non-household customers in any format or channel, including complaints received via written, telephone and digital channels. Should be aligned to CCWater's industry-wide definition of complaints (for example, see its August 2019 reporting guidance).
7	Customers on social tariffs	Total number of properties where, as at 31 March of the reporting year, household customers receive social tariffs developed in accordance with section 44 of the Flood and Water Management Act 2010 and relevant guidance issued by the Department for Environment, Food and Rural Affairs or the Welsh Government.
8	Customers on WaterSure tariffs	Total number of properties where, as at 31 March of the reporting year, household customers received tariffs developed in accordance with the Water Industry (Charges) (Vulnerable Groups) (Consolidation) Regulations 2015 (or their preceding regulations).

9	Customers on other reduced charges	Total number of properties where, as at 31 March of the reporting year, household customers received reduced charges relative to what most customers would expect to pay. Formal social and WaterSure tariffs are excluded. This includes, for example, any customers receiving financial support from the new appointee and any financial discounts relative to the incumbent company's charges as developed as part of the new appointee's application to serve the site.
10	Customers on the Priority Services Register	Total number of properties on the Priority Services Register as at 31 March of the reporting year.
11	Guaranteed Standards Scheme – Total number of failures	Total number of failures by the new appointee against the measures outlined in the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008 (known as the 'Guaranteed Standards Scheme') with respect to household and non-household customers. Repeat or multiple failures with respect to individual properties should be separately reported and not aggregated.
12	Guaranteed Standards Scheme – Total compensation paid (£)	Total amount of compensation paid to household or non-household customers by the new appointees due to a failure against the measures outlined in the Water Supply and Sewerage Services (Customer Service Standards) Regulations 2008 (known as the 'Guaranteed Standards Scheme'). Repeat or multiple failures with respect to individual properties should be separately reported and not aggregated.

Pro forma P3: Performance – water

Column	Title	Definition
1	Unique ID	Copied from Column 1 of P1.
2	Site name	Copied from Column 2 of P1.
3	Incumbent region (water)	Copied from Column 3 of P1.
4	Annual leakage (Ml/yr)	Total annual leakage is defined as the sum of distribution system leakage on the company's assets, including service reservoir losses and trunk main leakage plus customer supply pipe leakage, multiplied up from megalitres per day (Ml/day) to megalitres per year (Ml/year). For further guidance, see ' Reporting guidance – leakage '.
5	Household per capita consumption – Unmeasured – Consumption (Ml/yr)	Estimated consumption of unmetered billed residential properties measured in flow used (megalitres per year). Excludes underground supply pipe leakage. Underground supply pipe leakage is any loss of water from the underground supply pipe. The residential properties are defined as being all premises for which the principal use is as a home. For further guidance, see ' Reporting guidance – per capita consumption '.
6	Household per capita consumption – Unmeasured – Population	Estimated population of unmetered billed residential properties, as used in standard estimations of per capita consumption. The residential properties are defined as being all premises for which the principal use is as a home. For further guidance, see ' Reporting guidance – per capita consumption '.
7	Household per capita consumption – Unmeasured – Per capita consumption per day (l/h/d)	Calculated as (Column 5 * 1,000,000) / Column 6 / 365

8	Household per capita consumption – Measured – Consumption (Ml/yr)	<p>Estimated consumption of metered billed residential properties measured in flow used (megalitres per year).</p> <p>Excludes underground supply pipe leakage. Underground supply pipe leakage is any loss of water from the underground supply pipe.</p> <p>The residential properties are defined as being all premises for which the principal use is as a home.</p> <p>For further guidance, see 'Reporting guidance – per capita consumption'.</p>
9	Household per capita consumption – Measured – Population	<p>Estimated population of metered billed residential properties, as used in standard estimations of per capita consumption.</p> <p>The residential properties are defined as being all premises for which the principal use is as a home.</p> <p>For further guidance, see 'Reporting guidance – per capita consumption'.</p>
10	Household per capita consumption – Measured – Per capita consumption per day (l/h/d)	<p>Calculated as (Column 8 * 1,000,000) / Column 9 / 365</p>
11	Household per capita consumption – Overall – Per capita consumption per day (l/h/d)	<p>Calculated as Column 7 * (Column 6 / (Column 6 + Column 9) + Column 10 * (Column 9 / (Column 6 + Column 9)</p>
12	Water supply interruptions – Total minutes lost (>3hrs)	<p>Full duration of supply interruptions in total minutes. Limited to interruptions to a customer's water supply that lasted longer than three hours in duration.</p> <p>Supply interruption: is defined as when the supply of water to a property is at a pressure of three metres or less (adjusted for any difference in ground or property level). Includes planned and unplanned interruptions.</p> <p>Duration of interruption: is defined as the length of time for which properties are without a continuous supply of water at a pressure over three metres.</p> <p>The duration shall only be considered in the calculation of the metric where the duration is three hours or greater.</p> <p>For further guidance, see 'Reporting guidance – supply interruptions'.</p>
13	Water supply interruptions – Number of properties affected	<p>The number of household and non-household properties that were affected by a supply interruption that lasted longer than three hours in duration as defined in Column 12.</p> <p>For further guidance, see 'Reporting guidance – supply interruptions'.</p>
14	Water supply interruptions – Average number of minutes lost per water customer	<p>Calculated as (Column 12 * Column 13) / ((Column 10 of P1 + Column 15 of P1) * 1,000)</p>
15	Mains repairs	<p>Number of physical repair work to mains from which water is lost. This is attributable to pipes, joints or joint material failures or movement, or caused or deemed to be caused by conditions or original pipe laying or subsequent changes in ground conditions (such as changes to a road formation, loading, etc. where the costs of repair cannot be recovered from a third party).</p> <p>Any repair work undertaken on the water mains (i.e. all pipes conveying treated water around the distribution point but not including communication pipes or supply pipes) shall be included.</p> <p>For further guidance, see 'Reporting guidance – mains repairs'.</p>
16	Compliance risk index	<p>Consistent with the annual Compliance Risk Index score as reported to the Drinking Water Inspectorate by the company.</p> <p>Reported annually on a calendar year basis – e.g. for the reporting year 2021-22, the company will include its assessment score for the calendar year 2021.</p> <p>If there are no compliance sample breaches in the relevant year, the company should state this in its performance summary.</p>

		For further guidance, see ' DWI Compliance Risk Index (CRI) definition ' or the website of the Drinking Water Inspectorate .
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Pro forma P4: Performance – wastewater

Column	Title	Definition
1	Unique reference	Copied from column 1 of P1.
2	Site name	Copied from column 2 of P1.
3	Incumbent region (wastewater)	Copied from column 4 of P1.
4	Internal sewer flooding	<p>The number of internal sewer flooding incidents, including sewer flooding due to severe weather events.</p> <p>Internal flooding: is defined as flooding which enters a building or passes below a suspended floor.</p> <p>Flooding event: is defined as the escape of water from a sewerage system, irrespective of size as evidenced by standing water, running water or visible deposits of silt or sewage solids. It includes flooding due to overloaded sewers (hydraulic flooding) and due to other causes (FOC).</p> <p>Number of incidents: is defined as the number of properties flooded during each flooding event from a public sewer including incidents on sewers transferred under the Transfer of Private Sewers Regulations 2011 and pumping stations transferred in 2016.</p> <p>Severe weather: is defined as individual rainfall events with a storm return period greater than 1 in 20 years. Flooding incidents caused by severe weather should be included in this measure.</p> <p>For further guidance, see 'Reporting guidance – sewer flooding'.</p>
5	External sewer flooding	<p>The number of external sewer flooding incidents, including sewer flooding due to severe weather events.</p> <p>External flooding: is defined as flooding within the curtilage of a building normally used for residential, public, community and business purposes.</p> <p>Flooding event: is defined as the escape of water from a sewerage system, irrespective of size as evidenced by standing water, running water or visible deposits of silt or sewage solids. It includes flooding due to overloaded sewers (hydraulic flooding) and due to other causes (FOC).</p> <p>Number of incidents: is defined as the number of curtilages flooded during each flooding event from a public sewer including incidents on sewers transferred under the Transfer of Private Sewers Regulations 2011 and pumping stations transferred in 2016.</p> <p>Severe weather: is defined as individual rainfall events with a storm return period greater than 1-in-20 years. Flooding incidents caused by severe weather should be included in this measure.</p> <p>For further guidance, see 'Reporting guidance – sewer flooding'.</p>
6	Sewer collapses	<p>The number of sewer collapses causing an impact on service to customers or the environment.</p> <p>Sewer collapse: A sewer collapse is considered to be where a structural failure has occurred to the pipe that results in a service impact to a customer or the environment and where action is taken to replace or repair the pipe to reinstate normal service. The measure intentionally does not refer to the magnitude of the collapse. The measure includes rising mains. Collapses on the company's entire network are to be reported.</p> <p>For further guidance, see 'Reporting guidance – sewer collapses'.</p>

7	Pollution incidents	<p>The number of pollution incidents (categories 1 to 3) for which the company is responsible in a calendar year.</p> <p>Reported annually on a calendar year basis – e.g. for the reporting year 2021-22, the company will include its assessment score for the calendar year 2021.</p> <p>This measure is aligned to the methodology of the Environmental Performance Assessment (EPA), as administered by the Environment Agency, which applies to incumbent water companies.</p> <p>For further guidance, see the latest version of the EPA that applies to incumbent water companies for the relevant reporting year. For 2021-22, version 9 of the EPA applies to companies wholly or mainly in England and version 8 of the EPA applies to companies wholly or mainly in Wales.</p>
8	Treatment works compliance – Number of failed discharges	<p>The number of failed discharges on each relevant site.</p> <p>Reported annually on a calendar year basis – e.g. for the reporting year 2021-22, the company will report its performance for the calendar year 2021.</p> <p>Failures at sites with and without numeric discharge permits should be provided.</p>
9	Treatment works compliance – Site has numeric discharge permits? (TRUE/FALSE)	<p>Confirmation whether the site has relevant numeric discharge permits.</p> <p>Reported TRUE or FALSE. Sites with numeric discharge permits are those on the Environment Agency's (in England) or Natural Resources Wales' (in Wales) register during the calendar year.</p>
10	Treatment works compliance – Compliance (%)	<p>This measure is aligned to the methodology of the Environmental Performance Assessment (EPA), as administered by the Environment Agency, which applies to incumbent water companies.</p> <p>For further guidance, see the latest version of the EPA that applies to incumbent water companies for the relevant reporting year. For 2021-22, version 9 of the EPA applies to companies wholly or mainly in England and version 8 of the EPA applies to companies wholly or mainly in Wales.</p> <p>Calculated as: (Number of TRUE sites in Column 9) – (Number of sites with failed discharges > 0 in Column 8) / (Number of TRUE sites in Column 9)</p>

4. Next steps

Companies have one month to decide whether to dispute revisions to the regulatory reporting requirements for new appointees by asking for a reference to the Competition and Markets Authority (CMA). If a company wishes to do so, it must let us know in writing within one month of receiving notice that a revision will take effect. We expect to receive any such notification no later than **17 January 2022**.

In light of comments that we receive, we may reissue this document, and any associated documents and templates, in early 2022. In line with previous years, we expect to produce an information notice reminding new appointees of their annual reporting obligations in spring 2022.

New appointees will then submit and publish their annual performance reports in line with our regulatory reporting requirements for 2021-22 by **15 July 2022**.

We will revise the regulatory reporting requirements as necessary in future years, in line with the process set out in companies' licences.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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