

5.3 Updated expenditure data table commentary

In line with the Ofwat guidance we have resubmitted the following expenditure tables that are applicable to us:

Table number	Table description	Required for
WS1	Wholesale water operating and capital expenditure by business unit	All companies
WS2	Wholesale water capital and operating enhancement expenditure by purpose	All companies
WWS1	Wholesale wastewater operating and capital expenditure by business unit	Wastewater companies
WWS2	Wholesale wastewater capital and operating enhancement expenditure by purpose	Wastewater companies
R1	Residential retail	All companies
APP26*	RoRE Scenarios - As set out in the risk and return actions and interventions tracker we expect all companies to resubmit App26.	All companies

*Commentary for App26 is in chapter 2.2 Risk and reward

We note Ofwat's intention to overwrite the 18/19 forecasts with the APR data and view that companies are therefore not required to update the tables. Whilst the 2018/19 APR does not represent a full year as SVE, due to the licence change which occurred mid-year, any differences are not material and therefore have not updated the data tables with actual 18/19 performance.

We have reviewed and provided updates to ensure alignment with the latest reported data from the following submission documents:

- July PR19 reconciliation tables
- Query responses

WS1

18/19 Actual total expenditure (including cash items) is 7% higher than the business plan forecast. This small increase is mainly because we have invested more maintaining our non-infrastructure assets than forecast last year. This is explained in full in our 18/19 APR.

It should also be noted that the 18/19 APR included two atypical adjustments; one relating to pensions and the other the transfer of assets in line with the updated licence. Neither of these were included in the business plan forecasts. This makes a total expenditure difference of 12%, which will still think is within an acceptable range and won't create a material difference when the forecasts are overwritten with actuals.

We have updated the 19/20 forecasts with our latest view, which also aligns with the reconciliation data tables submitted in July 19.

We haven't made any changes to the AMP7 forecasts.

WS2

We haven't made any updates to this table. There are some differences greater than 10% when comparing the BP forecast to 18/19 actuals but all but one equate to variances of less than £6m. The only exception is resilience and this is largely due to the additional investment brought forward to meet the outcome deadlines for the Birmingham resilience scheme.

WWS1

18/19 Actual total expenditure (including cash items) is 5% lower than the business plan forecast. Notable variances are explained in the 18/19 APR.

We have made no changes to the AMP7 forecasts, this is because the changes we have made in WWS2 total to the amount stated in WWS1 and the changes don't affect the split between infra and non-infrastructure.

WWS2

We haven't made any changes to the 18/19 or 19/20 data. There are some variances between BP forecast and actual across each driver, but they are individually small and in total amount to 12%. Therefore we don't think it will create a material difference when the forecasts are overwritten by actuals.

We have made updates to the AMP7 forecasts in order to reflect the changes following query IAP-CA-021. The changes are marked in red and relate to lines 12,18,19,20,22,59,65,66,67,69.

R1

The 18/19 actual operating total cost is broadly in line with the BP forecast, at 8% lower. The capital expenditure is 11% lower, but in absolute terms also not material. Therefore we haven't made any changes to costs in this table.

We have updated line 16, households connected from 2018/19 onwards. This ensures alignment with the data used in the financial model and in response to Ofwat queries. These property numbers reflect the new licence boundary.