

Statement of Board Assurance provided to the Water Services Regulation Authority 2020-21 charges for new connection services

1 February 2020



from
**Southern
Water** 

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Statement of Board Assurance provided to the Water Services Regulation Authority – 2020-21 charges for new connection services

The Company, under the direction of the Board, has undertaken a thorough process of internal and external assurance with regard to the setting of charges for new connection services for the 2020-21 charging year. As a result of the assurances it has received, the Board has satisfied itself to the best of its ability that:

- i. the Company complies with its obligations relating to Ofwat's Charging Rules for New Connection Services;
- ii. the Company has appropriate systems and processes in place to make sure that the information contained in the Charging Arrangements document, and the additional information covered by the annex to Ofwat's Charging Rules for New Connection Services, is accurate;
- iii. the present balance of charges between Developers and other customers is broadly maintained.

We provide information on our compliance with Ofwat's Charging Rules for New Connection Services rules in the Annex to this assurance statement.



Ian McAulay
Chief Executive Officer



Keith Lough
Chairman

Annex to new connections services charges assurance statement – compliance with Ofwat’s Charging Rules for New Connection Services

Rule no.	Charges scheme rule	Compliance statement
1-6	Introduction and Interpretation	N/A
7	Consultation	
7	<p>Undertakers must determine what types of charges covered by these rules may or may not be imposed, and the amount of such charges, in accordance with the principle that changes to charges covered by these rules should only be made after proportionate, timely and effective consultation with groups of persons likely to be significantly affected by the proposed Charging Arrangements (or their representatives) and any other persons the undertakers consider it appropriate to consult.</p>	<p>Compliant.</p> <p>For 2020-21 we conducted a multi-stage engagement and feedback approach. This included:</p> <ul style="list-style-type: none"> • a general consultation distributed to developers, stakeholders and regulators on our approach to updating our charges for 2020-21; • face-to-face meetings and subsequent telephone conversations with customers and Ofwat around our proposed changes for 2020-21 • face to face meeting with the SLP community to discuss our proposed approach <p>We adapted our communication approach and transitional arrangements as a result of feedback secured from our customers, both formal responses and directly at the above sessions. Examples of how we have incorporated feedback from stakeholders is provided in a number of the compliance statements below.</p>
8-16	Publication and Transparency	
8	<p>Relevant undertakers must publish charges developed under these rules in a single document (the Charging Arrangements). The Charging Arrangements must be published on the undertaker’s website and in any other manner the undertaker considers appropriate for the purpose of bringing the Charging Arrangements to the attention of persons likely to be affected by it.</p>	<p>Compliant.</p> <p>Our charges have been published in our Charging Arrangements document. This document has been published on our website.</p>

Rule no.	Charges scheme rule	Compliance statement
9	<p>The maximum amount of any charge that may be imposed by an undertaker under the provisions of the Water Industry Act 1991 covered by these rules shall be the amount set out in, or calculated in accordance with, the Charging Arrangements published by that undertaker. For the avoidance of doubt, the charges and charging methodologies set out in the Charging Arrangements must therefore include any relevant miscellaneous and ancillary costs such as assessment, inspection, design, legal and supervision charges that the undertaker is entitled to recover, unless there is a different legal basis for the recovery of such costs.</p>	<p>Compliant.</p> <p>Our charges represent the maximum charge for the specified activities. These include all necessary assessment, inspection, design, legal and supervision charges that we are entitled to recover.</p>
10	<p>The Charging Arrangements must be published no later than two months before the period in relation to which they have effect. Charging Arrangements must be published at least once in every year from 2018 onwards.</p>	<p>Compliant.</p> <p>Our Charging Arrangements document was published on 1 February 2020.</p> <p>This is our annual update following the original Charging Arrangements document that was published on 31 January 2018.</p>
11	<p>The Charging Arrangements must explain how each charge has been calculated or derived. Where an undertaker determines the applicable charges other than by Fixed Charges, the methodology for the calculation of such charges must be explained clearly in the Charging Arrangements.</p>	<p>Compliant.</p> <p>Our Charging Arrangements document details how the charges have been derived. The methodology for determining charges that are not fixed are clearly explained in the Charging Arrangements document. For 2020-21 we have improved the detail of how we calculated and derived our various charges following feedback from stakeholders. We have particularly focused on the Income Offset and how this has been calculated.</p>

Rule no.	Charges scheme rule	Compliance statement
.12	<p>The Charging Arrangements are to be written and presented in a clear and accessible manner, which takes due account of the varying levels of expertise of all Developers or other customers who may rely on the Charging Arrangements. Undertakers should consider publishing worked examples where this could aid customers' understanding.</p>	<p>Compliant.</p> <p>Our Charging Arrangements has been developed and presented in a manner that all our Developer Services customers will be able to comprehend, with appropriate levels of detail and explanation to reflect the knowledge and understanding of any class of Developer Services customer who would request any given service.</p> <p>For our 2019-20 update we sought feedback from stakeholders and regulators who generally felt that the Charging Arrangements document was clear and accessible. Publication of worked examples were highlighted as an opportunity for improvement. We have developed examples of these for 2019-20.</p> <p>In 2019-20 we developed a calculator for use by our customers in generating estimates and promoting understanding. This is accessible to all customers via our website.</p> <p>For 2020-21 we have incorporated features such as a map of our areas and simple pipe sizing guides to allow customers to generate estimates more easily.</p>
.13	<p>Charges must be published with such additional information or explanation as is necessary to make clear what services are covered by each charge.</p>	<p>Compliant.</p> <p>Each section within our Charging Arrangements document details the services included within the charge to allow the Developer Services customer to build a clear picture of the charges applicable.</p>
.14	<p>Undertakers must publish the charges covered by these rules in such a way that a Developer or other customer can confidently work out a reasonable estimate of the charges payable if they know the relevant parameters of a Development.</p>	<p>Compliant.</p> <p>The design of our charges allows our Developer Services customers to work out the charges payable from the earliest stages of a development proposal.</p> <p>Our calculator (see 12 above) also assist customers in the effective generation of estimates where customers know the relevant parameters of developments.</p>
.15	<p>The Charging Arrangements must identify which charges are associated with Contestable Work and Non-contestable Work.</p>	<p>Compliant.</p> <p>Our Charging Arrangements document clearly defines contestable and non-contestable activities and associated charges.</p>

.16

Undertakers must provide a reasonable choice of times and methods of payment of the charges and set these out in the Charging Arrangements.

Compliant.

For 2019-20 our external assurance highlighted areas for improvement when clarifying times and methods of payments for the various charges detailed within our Charging Arrangements document. These have descriptions have been strengthened in the 2019-20 revision and further developed for 2020-21.

Rule no.	Charges scheme rule	Compliance statement
17	<i>Small companies</i>	<i>N/A</i>
18	<i>General charging principles</i>	
18	Relevant undertakers must determine what types of charges may or may not be imposed and the amount of any charges that may be imposed in accordance with the principle that charges covered by these rules should reflect:	
(a)	fairness and affordability;	Compliant. The majority of our charges are fixed and visible up-front to our Developer Services customers. We will ensure that across the overall charging framework the broad balance of contribution is maintained, so that affordability is not unduly impacted as the new charging rules embed. For many areas of work that are contestable, Developer Services customers will also have a benchmark cost to enable them to look at alternative methods of provision through the wider market.
(b)	environmental protection;	Compliant. Our net Water Infrastructure Charge has a potential discount for water efficient development approaches. See our Charges Scheme Assurance Statement.
(c)	stability and predictability;	Compliant. The majority of our charges are fixed and published up-front, providing for a high degree of predictability. Water related charges are predominantly based on supplier costs and rates, and should therefore be stable through AMP7. From 2020-21, our Wastewater related charges are also based on suppliers costs and rates and therefore should remain stable through AMP7.

Rule no.	Charges scheme rule	Compliance statement
(d)	and transparency and customer-focused service.	<p>.Complaint.</p> <p>Our fixed charges provide a high degree of certainty for both our Developer Services customers and ourselves. This is an enabler for improved customer service in that charges are clear, transparent, and easier to administer. This, aligned with wider improvement activities, should result in a significant improvement in our Developer Services customer experience.</p> <p>From 2020-21 we have single gross and net Infrastructure Charges for both water and wastewater, further simplifying our approach.</p>
19-22	<p><i>Principles for determining the nature and extent of all charges covered by these rules</i></p>	
19	<p>.In setting charges in accordance with the present rules, undertakers should take reasonable steps to ensure that the balance between contributions to costs by Developers and other customers prior to 1 April 2018, is broadly maintained. Section 3 of Annex A to the Government’s Charging Guidance to Ofwat published in January 2016 lists the charges under which Developers contribute costs relevant to this rule. For the avoidance of doubt, Income Offset also needs to be included. An undertaker may only depart from this general requirement where (and to the extent that) this is rendered necessary by circumstances providing clear objective justification for doing so. Any such justification must be clearly identified in any Charging Arrangements prepared pursuant to these rules.</p>	<p>.Compliant.</p> <p>Within each price control we have sought to broadly maintain the current balance of contributions to costs between Developers and other customers.</p> <p>Please see the Annex.</p>
20	<p>.Consistent principles and approaches must be applied to the calculation of charges and when they are payable for different classes of customer. For the avoidance of doubt, this includes the calculation of charges and when they are payable for Non-contestable Work, whether or not a person other than the undertaker is carrying out Contestable Work.</p>	<p>.Compliant.</p> <p>Our charges are consistent for all types of Developer Services customer where appropriate. Charges for non-contestable activities are generally consistent regardless of who undertakes contestable elements of work. There are some exceptions to this rule; for example, Self-Lay Water Connections application fees where determination history has specified that there should be differing charges depending on the class of</p>

Developer Services customer and the activities that they can undertake directly themselves. Our charges have been built on the principle that they do not discriminate against any class of Developer Services customer whilst also considering appropriate legislation and determinations

Rule no.	Charges scheme rule	Compliance statement
21	Charges and arrangements for when they are each payable must be set in accordance with the principle that they should promote effective competition for Contestable Work.	Compliant. Our charges are, wherever possible, based directly on supplier rates and costs and therefore representative of the costs that are incurred directly in the execution of works. Our Charging Arrangements document also detail the range of delivery options available to our Developer Services customers for different types of work.
22	For the avoidance of doubt, in charges covered by these rules undertakers may recover reasonable administrative expenses and other overheads incurred in discharging any rights or obligations under the relevant provisions of the Water Industry Act 1991.	Compliant. Our charges include appropriate administrative costs and overheads as allowed for under the provisions of the Water Industry Act 1991.
23-30 Charges for the requisition of water mains and public sewers		
23	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties imposed by section 41(1) (provision of requisitioned Water Main) and section 98(1) (provision of requisitioned public sewer) of the Water Industry Act 1991 (together, " Requisition Charges ").	Compliant. Our Charging Arrangements document details the charges as required.
24	These charges are concerned with the cost to the undertaker of providing Site Specific infrastructure necessary for the provision of a Water Main and/or Public Sewer.	Compliant. Our charges are directly relevant to site-specific items.

Rule no.	Charges scheme rule	Compliance statement
25	In relation to Requisition Charges, an undertaker:	
a)	must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker;	Compliant. Our charges are generally based upon upfront fixed charges, although there are some exceptions to this approach as permitted under these Charging Rules. Where exceptions may apply, full details, along with examples, are included in our Charging Arrangements.
b)	and may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant. For the areas where it is impractical to offer upfront fixed charges, the mechanism for calculating charges is clearly explained in our Charging Arrangements document.
26	Requisition Charges must relate to the costs of providing the requisitioned Water Main and/or Public Sewer. Such charges may not include any amount for Network Reinforcement costs.	Compliant. The charges that have been developed relate to the provision of site-specific water mains and sewers only. Any network reinforcement will be funded via Infrastructure Charges under the new charging rules.
27	Any Requisition Charges imposed by an undertaker:	
a)	must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under sections 41(1) or 98(1) of the Water Industry Act 1991;	Compliant. Our Requisition charges only relate to site-specific work carried out under sections 41(1) or 98(1) of the Water Industry Act 1991
b)	and must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.	Compliant. Our charges will not be used to address pre-existing deficiencies or to enhance network flexibility, in capacity or capability, unrelated to requirements associated with the requisition.

Rule no.	Charges scheme rule	Compliance statement
28	Where an undertaker provides a Water Main or Public Sewer pursuant to a requisition and, in so doing, decides to increase the capacity of pipes or other infrastructure beyond that which is needed to meet the undertaker's duty under section 41(1) or section 98(1) of the Water Industry Act 1991, the costs of this work shall, if this increases the costs of the work, be apportioned so that the person making the requisition only pays costs which are in proportion to the particular capacity required by his or her requisition.	Compliant. We will only charge our Developer Services customers requesting a requisition the charges that relate to the capacity required by their requisition. Any capacity increases we choose to implement that is over and above the Developer Services customer's need will be funded through alternative sources. This could include our own funds in the case of network enhancement work, funds from the Infrastructure Charge funding source for proactive network reinforcement, or cost sharing exercises with adjacent developers.
29	Undertakers shall not provide for Income Offsets in setting Requisition Charges	Compliant. For 2020-21 we have removed Income Offsets from Requisition Charges
30	Not used	N/A

Rule no.	Charges scheme rule	Compliance statement
31-34	<i>Charges for the provision of lateral drains, the connection of water mains and communications with public sewers and for ancillary works</i>	
31	Each undertaker shall set out in its Charging Arrangements charges that will be imposed by that undertaker for work carried out by it in accordance with the duties (or rights) created by the following provisions of the Water Industry Act 1991: section 45(1) (connection with Water Main); section 46(1) (ancillary works for purposes of making a domestic connection); section 98(1A) (provision of lateral drains); section 101B (construction of lateral drains following construction of a public sewer) or section 107(1) (right of undertakers to make communication with Public Sewer) (together, "Connection Charges").	Compliant. A suite of charges has been published for Connection Charges in our Charging Arrangements document.

32 In relation to Connection Charges an undertaker:

a) must provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker;

Compliant

There are fixed upfront charges for water connections and the majority of wastewater connections. We have chosen to cap the depth at which we provide fixed wastewater charges for our Developer Services customers as the risk due to ground conditions becomes very difficult to consistently assess. This would lead to an unduly high fixed price being offered to Developer Services customers, breaching the principle of fairness and affordability. We will provide a site-specific estimate for deep sewer connections that is appropriate, fair and not unduly risk averse. It is very rare that we construct wastewater connections on behalf of Developer Services customers as these are generally constructed by directly by customers utilising their own contractors.

Rule no.	Charges scheme rule	Compliance statement
b)	and may also provide for other alternative methods for calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant. See a) above.
33	Any Connection Charges imposed by an undertaker must relate only to Site Specific Work carried out and costs incurred by the undertaker pursuant to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991.	Compliant. Our Connection Charges only relate to sections 45(1), 46(1), 98(1A), 101B or 107(1) of the Water Industry Act 1991
34	Undertakers shall not provide for Income Offsets in setting Connection Charges.	Compliant. We do not offer Income Offsets in relation to Connection Charges.
35-41	<i>Charges for asset payments in respect of an Agreement under Section 51A or 104 of the Water Industry Act 1991</i>	
35	Each undertaker shall set out in the applicable Charging Arrangements the charges to be imposed in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991.	Compliant. Our Charging Arrangements document details the charges to be imposed in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991

Rule no.	Charges scheme rule	Compliance statement
36	These charges are concerned with the cost of Site Specific Work necessary as part of the adoption or connection of a Water Main, Communication Pipe, Public Sewer and/or Lateral Drain. Such charges may not include any amount for Network Reinforcement costs.	Compliant. The charges only relate to site-specific works. Network Reinforcement will be funded through the Infrastructure Charge
37	Any charges imposed by an undertaker in respect of an agreement under section 51A or section 104 of the Water Industry Act 1991:	
a)	must relate only to Site Specific Work carried out and costs incurred by the undertaker in order to meet its duties under such an agreement;	Compliant: The charges imposed only relate to site-specific works and the costs associated with these agreements
b)	and must not relate to work needed or desired to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement.	Compliant. Any work to modify or enhance existing network infrastructure in order to address pre-existing deficiencies, in capacity or capability, unrelated to requirements associated with the agreement, will be funded from other sources.
38	Insofar as section 51A agreements are concerned, water undertakers shall not provide for Asset Payments for the adoption of a Water Main.	Compliant. From 2020-21 we will not offer Asset Payments for the adoption of a water main
39	Insofar as section 104 agreements are concerned, sewerage undertakers shall not provide for Asset Payments for the adoption of a Sewer.	Compliant: We did not historically offer any Asset Payment in relation to Section 104 agreements. This position continued following the new charging arrangements coming into effect on 1 April 2018.
40	Not used	N/A

Rule no.	Charges scheme rule	Compliance statement
41	Undertakers shall not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.	Compliant. We do not provide for Asset Payments for the adoption of a Communication Pipe or Lateral Drain.
42-43	<i>Charges for diversions of pipes and other apparatus under Section 185 of the Water Industry Act 1991</i>	
42	Each undertaker must set out in its Charging Arrangements its method(s) for calculating the charges imposed by that undertaker pursuant to section 185(5) of the Water Industry Act 1991 (" Diversions Charges "). In relation to Diversions Charges an undertaker:	
a)	may provide for the option of upfront Fixed Charges in respect of any work carried out by the undertaker;	Compliant. For the charging year commencing 1 April 2020 we will not offer fixed upfront charges for Diversions Charges. We will keep this under review for future charging years.
b)	and may also provide for other alternative methods of calculating charges but, where it does so, each alternative method must be explained clearly in the Charging Arrangements.	Compliant. We detail the method that will be employed for the calculation of Diversions Charges in our Charging Arrangements document.
43	Charges levied pursuant to section 185(5) must be calculated by reference to the principle that the undertaker is only entitled to recover costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.	Compliant. Charges levied will only relate to costs reasonably incurred as a result of complying with the duty imposed by section 185(1) of the Water Industry Act 1991.

Rule no.	Charges scheme rule	Compliance statement
44-46	<i>Security/deposit arrangements</i>	
44	An undertaker is allowed to require security prior to commencing work, whether in the form of a sum deposited with the undertaker or otherwise:	
a)	under section 42(1)(b), 47(2)(a), 99(1)(b), 101B(3A), 107(3)(b)(ii) or 185(4);	Compliant. We require security prior to commencing work.
b)	or for the purposes of any charges imposed under an agreement under section 51A or section 104 of the Water Industry Act 1991.	Compliant. We require security prior to commencing work.
45	The type and amount of security should not be unduly onerous, taking into account the risk to be borne by the undertaker in carrying out the work in question. Where undertakers require security, the type and amount of security and the payment of interest on the security should reflect the general charging principles set out in paragraph 18.	Compliant. The security required will not be unduly onerous. The type and amount of security, and the payment of interest on the security, will reflect the general charging principles (set out in rule 18). In general, our security and deposit requirements have not changed as a result of the implementation of these rules.
46	The undertaker must clearly set out requirements for security in relation to any charges to be applied in its Charging Arrangements.	Compliant. Our requirements for security in relation to any charges to be applied in our Charging Arrangements document will be clearly set out and documented in the applicable guidance notes and application forms, which will be accessible via our website. A summary will also be included within our Charging Arrangements document for ease of use for our Developer Services customers.

Rule no.	Charges scheme rule	Compliance statement
47-48	<i>Exception from requirements to provide upfront Fixed Charges</i>	

47

Undertakers are not required to provide for the option of upfront Fixed Charges in accordance with paragraphs 25 (Requisition Charges) of these rules, or to comply with paragraph 14, where, and to the extent that, it would be unreasonable to expect an undertaker to do so (having had regard to the practicality of setting a cost-reflective upfront Fixed Charge and the benefit to customers of producing such a charge).

Compliant.
Our charges are generally based upon upfront fixed charges, although there are some exceptions to this approach as permitted under these Charging Rules.

48

Where paragraph 47 applies, an undertaker must set out, and explain clearly, in its Charging Arrangements the alternative method or methods that will apply for calculating charges.

Compliant.
For the areas where it is impractical to offer upfront fixed charges, the mechanism for calculating charges is clearly explained in our Charging Arrangements document.

Annex to new connections services charges assurance statement – Approach to broadly maintaining the present balance of charges between Developers and other customers

Maintaining the broad balance of charges

A key requirement of the Charging Rules for New Connection Services is to broadly maintain the balance of contributions to costs between developers and other customers. In turn, this requirement has been key to informing our approach to setting charges under the new rules. Our approach to achieving this is detailed below.

2020-21 sees significant changes in how charges are structured with the Income Offset being moved to the Infrastructure Charge. In order to calculate the Income Offset for AMP 7 we simply followed the following steps:

- 1) Assessed our proposed expenditure in AMP7 in the areas detailed in Section 3 of Annex A to the Government's Charging Guidance to Ofwat (both Water and Wastewater)
- 2) Assessed the AMP7 gross contributions associated with the above (less an initial adjustment for historic Infrastructure Charge over recovery)
- 3) Assessed what the net contributions *would have been* based on a pre-2018 charging model
- 4) The differential between 2 and 3 above being the overall Income Offset required to maintain the balance of contributions
- 5) Divide 4 by the number of connections forecast to arrive at a per connection Income Offset value to apply to the Infrastructure Charge

Some of the assumptions that we make for the calculation are detailed below.

Water

New property connections

Under the pre-2018 regime we recovered 100% of reasonably incurred costs. We propose to maintain this into the future (although at overall programme level), and therefore there is no change under our new approach.

S185 Diversions

Under the pre-2018 regime we recovered 100% of reasonably incurred costs. We propose to maintain this into the future and therefore there is no change under our new approach.

Site-specific water mains

Analysis of around 120 historic requisition projects (pre-new connection charging) indicated a typical income offset of circa 92%. This meant developers typically contributed 8%. This was determined by a complex calculation (Relevant Deficit) that we changed to meet the new rules in 2018. In future, 100% recovery is planned in this area due to the removal of the income offset.

Network Reinforcement

Our historic Infrastructure Charge income was significantly higher than expenditure for water.

Income was received based on the published charge for the year that properties connected. High level analysis over an extended period going back to 2011/12 suggests that we over recovered against the base charge by circa 15%. We believe that this is due to commercial and business properties where the Infrastructure Charge applicable is often higher due to the use of the Relevant Multiplier calculation.

Wastewater

New lateral property connections

Under the historic charging regime we recovered 100% of reasonably incurred costs. We propose to maintain this into the future, and therefore there is no change under our new approach.

S185 Diversions

Under the pre-2018 regime we recovered 100% of reasonably incurred costs. We propose to maintain this into the future and therefore there is no change under our new approach.

Site-specific sewers

Analysis of our historic requisition projects (pre-new connection charging) indicated a typical income offset of 65%. This is determined by a complex calculation that we changed to meet the new rules. This meant that developers typically paid a contribution of 35%. In future, 100% recovery is planned in this area due to the removal of the income offset.

Network Reinforcement

Our historic Network Reinforcement expenditure was significantly higher than the Infrastructure Charge for Wastewater. Furthermore, the significant proportion of Network Reinforcement schemes were delivered by S98 Requisitions which attracted further developer contributions.

Infrastructure Charge income was received based on the published charge for the year that properties connected. High level analysis over an extended period going back to 2011/12 suggests that we over recovered against the base charge by circa 10%. We believe that this is due to commercial and business properties where the Infrastructure Charge applicable is often higher due to the use of the Relevant Multiplier calculation.

The pre-2018 amount of contributions was further bolstered by developer contributions to requisitions. We assess that c.95% of expenditure in the Network Reinforcement area was via requisition, which attracted a typical 35% contribution as per site-specific sewers above.

The combined Infrastructure Charge Income and Developer contributions are how we assess the pre-2018 likely income levels associated with Network Reinforcement within the balance of contribution calculation.