

# Chapter 23

## Regulatory accounts

Covering:  
Analysis of turnover and operating income

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# Analysis of turnover and operating income

### Guidance

This table analyses the components of turnover and other operating income. It is important that turnover is reported on a basis consistent with the Principal Statement (or Interim Principal Statement). In particular, revenue raised by any rateable value element of the measured sewerage tariff is to be included in the measured turnover figures. We expect revenue reported in lines 1 to 7 to be subsequently used in the Principal Statement to calculate the weighted average charges increase without any revision. An exception to this is if there has been a change in definitions relating to the (Interim) Principal Statement.

Turnover derived from third parties, apart from that derived from the sale of non-potable water, is required to be separately disclosed in lines 11, 12 and 13. The related costs are to be disclosed in tables 21 and 22.

A measured supply or service is one where all or some of the charges for that supply or service are based on measured quantities of volume and an unmeasured supply or service is any other.

Tariff basket charges are standard charges, other than excluded charges. Standard charges and excluded charges are defined in Condition B of NI Water's Instrument of Appointment.

### Company commentary

NI Water should:

- provide commentary on the calculation of the working capital adjustment. Commentary should be provided on the basis of the water/sewerage of the working capital adjustment only. Commentary on the adjustment itself should be included in the table 27 commentary with a cross-reference in the commentary to this table;
- describe the procedures for monitoring revenue, including variances between outturn and forecasts used in final determinations. Describe any analysis that takes place;
- provide an explanation of any significant movements over the previous financial year. Explanations of variances solely relating to price limits or RPI are not necessary
- provide a reconciliation and commentary on the amounts billed to the reported turnover including on the relevant internal controls in this area along with their assessed effectiveness. Where there are adjustments, (other than for the measured income accrual) the commentary should set out whether these are one-offs for the current year or repeated. Where the adjustments occur annually, comment on the size of the adjustment compared to the previous year. In addition, NI Water should describe and comment on any internal control weaknesses reported (including those noted by internal audit) and their effect. Progress made in mitigating these risks and improving internal controls in this area should be reported.
- NI Water should describe the format and content of the reporting packs obtained from Crystal Alliance including details of its component parts and describe the reconciliations and checks performed thereon
- NI Water should describe the reconciliations performed on Crystal Alliance data to reconcile it to NI Water's nominal ledger and show the year end position for all relevant nominal ledger codes.
- NI Water should document the monthly monitoring performed on income received and reconciliations performed against budgeted income. NI Water should illustrate the year end position of income against budgeted levels.

- NI Water should document the controls in place over data transfer from meter reading devices to Rapid Xtra which assist NI Water to gain assurance over the completeness and accuracy of reports provided by Crystal Alliance. NI Water should describe the checks and reconciliations performed on meter reading data received from Crystal Alliance. In addition, NI Water should describe any internal control weaknesses reported (including those noted by internal audit) and their effect and document any progress made in mitigating these risks and improving internal controls in this area
  
- The measured accrual for unbilled revenue is reported as a line on table 26. Please provide the following in your commentary to this table:
  - The basis and rationale for the provision for accrued income (if applicable). This should detail the underlying assumptions and calculation;
  - any change in the basis of the accrual calculation or a statement that it has not changed;
  - the actual income billed compared to the amount accrued in the previous year (2008-09); and
  - explanations of any large year on year movements in income accrued or differences between accrued and actual income billed for 2008-09.

**Auditors**

See separate guidance for auditors.

**Column definitions:**

Column 3 is the sum of columns 1, 2.

Column 6 is the sum of columns 4, 5.

References to columns 4, 5 and 6 may be assumed to apply, with the necessary changes, to columns 1, 2 and 3 (prior year).

## Table 23 line definitions

### A TURNOVER

<b>1</b>	Unmeasured – household (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of water at tariff basket charges to households other than on a measured basis.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>1</b>	Unmeasured – household (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from the provision of sewerage services at tariff basket charges to households other than on a measured basis.  This excludes revenue raised by any rateable value element of a measured sewerage tariff.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>2</b>	Unmeasured – non-household (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of water at tariff basket charges to non-households other than on a measured basis.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>2</b>	Unmeasured – non-household (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from the provision of sewerage services at tariff basket charges to non-households other than on a measured basis.  This excludes revenue raised by any rateable value element of a measured sewerage tariff.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>3</b>	Unmeasured (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of water at tariff basket charges other than on a measured basis.		
<b>Primary Purpose</b>	Checking compliance with statutory and Licence requirements.		
<b>Processing rule</b>	Calculated: sum of lines 1 and 2		
<b>Responsibility</b>	Regulatory Finance		

<b>3</b>	Unmeasured (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from the provision of sewerage services at tariff basket charges other than on a measured basis.  This excludes revenue raised by any rateable value element of a measured sewerage tariff.		
<b>Primary Purpose</b>	Checking compliance with statutory and Licence requirements		
<b>Processing rule</b>	Calculated: sum of lines 1 and 2		
<b>Responsibility</b>	Regulatory Finance		

<b>4</b>	Measured – household (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of water at tariff basket charges to households where all or some of the charges for the supplies are based on measured quantities of volume.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input:		
<b>Responsibility</b>	Regulatory Finance		

<b>4</b>	Measured – household (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from 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.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>5</b>	Measured – non-household (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of water at tariff basket charges to non-households where all or some of the charges for the supplies are based on measured quantities of volume.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input field		
<b>Responsibility</b>	Regulatory Finance		

<b>5</b>	Measured – non-household (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from 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.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>6</b>	Measured (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of water at tariff basket charges where all or some of the charges for the supplies are based on measured quantities of volume.		
<b>Primary Purpose</b>	Checking compliance with statutory and Licence requirements		
<b>Processing rule</b>	Calculated: sum of lines 4 and 5		
<b>Responsibility</b>	Regulatory Finance		

<b>6</b>	Measured (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from provision of sewage treatment and disposals at tariff basket charges 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.		
<b>Primary Purpose</b>	Checking compliance with statutory and Licence requirements		
<b>Processing rule</b>	Calculated: sum of lines 4 and 5:		
<b>Responsibility</b>	Regulatory Finance		

<b>7</b>	Trade effluent (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from the reception, treatment and disposal of trade effluent at tariff basket rates.		
<b>Primary Purpose</b>	Checking compliance with statutory and Licence requirements		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance		

<b>8</b>	Large user and special agreements (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of potable water to: <ul style="list-style-type: none"> <li>i. premises where the premises were supplied in the reporting year with not less than such quantity of water as was specified at the time under section 14 (5)(a) of the Water and Sewerage Services (NI) Order 2006. From 2007-08 this is to be set at 100MI per annum, Include revenue from new licensees;</li> <li>ii. or where the charges are fixed in accordance with agreements with the persons to be charged as is referred to in section 200 (2)(b) of the Water and Sewerage Services (NI) Order 2006, instead of being fixed in accordance with a charges scheme.</li> </ul> <p><b>Exclude revenue from the sale of non-potable water to large user and special agreement customers.</b></p>		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>8</b>	Large user and special agreements (sewerage services)	£m	3
<b>Definition</b>	All revenue accrued from provision of sewerage services including the reception, treatment and disposal of trade effluent to: <ul style="list-style-type: none"> <li>i. premises where the premises were supplied in the reporting year with not less than such quantity of water as was specified at the time under section 14(5)(a) of the Water and Sewerage Services (NI) Order 2006. From 2007-08 this is to be set at 100MI per annum;</li> <li>ii. or where the charges are fixed in accordance with agreements with the persons to be charged as is referred to in section 200 (2)(b) of the Water and Sewerage Services (NI) Order 2006, instead of being fixed in accordance with a charges scheme.</li> </ul>		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>9</b>	Revenue grants (water service )	£m	3
<b>Definition</b>	All revenue grants received for the provision of water services.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance		

<b>9</b>	Revenue grants (sewerage service )	£m	3
<b>Definition</b>	All revenue grants received for the provision of sewerage services.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance		

<b>10</b>	Non potable water large user and special agreements (water services)	£m	3
<b>Definition</b>	All revenue accrued from the sale of non-potable water to: <ul style="list-style-type: none"> <li>i) premises where the premises were supplied in the reporting year with not less than such quantity of water as was specified at the time under section 14(5)(a) of the Water and Sewerage Services (NI) Order 2006. From 2007-08 this is to be set at 100MI per annum.. Include revenue from new licensees; or</li> <li>ii) where the charges are fixed in accordance with agreements with the persons to be charged as is referred to in section 200 (2)(b) of the Water and Sewerage Services (NI) Order 2006, instead of being fixed in accordance with a charges scheme.</li> </ul>		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>11</b>	Rechargeable works (water service)	£m	3
<b>Definition</b>	All income received for work relating to the water service where the appointee is the monopoly supplier, carried out by the appointed business, the cost of which is recovered from any person and recorded as revenue.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>11</b>	Rechargeable works (sewerage service)	£m	3
<b>Definition</b>	All income received for work relating to the sewerage service where the appointee is the monopoly supplier, carried out by the appointed business, the cost of which is recovered from any person and recorded as revenue.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>12</b>	Bulk supplies/inter company payments (water service)	£m	3
<b>Definition</b>	All income received from providing a bulk supply to another water undertaker. <b>Do not include income received from new licensees.</b>		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>12</b>	Bulk supplies/inter company payments (sewerage service)	£m	3
<b>Definition</b>	All income received from sewerage connection agreements with another sewerage undertaker or any other inter-company payments for sewerage services.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>13</b>	Other appointed business (third party) (water service)	£m	3
<b>Definition</b>	All other sources of income that are not reported in lines 10, 11 and 12 but are derived from third parties for the provision of water services for which costs are separately disclosed in table 21.  Exclude revenue derived from the sale of non-potable water (reported in line 10).		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		



<b>13</b>	Other appointed business (third party) (sewerage service)	£m	3
<b>Definition</b>	All other sources of income that are not reported in lines 10, 11 and 12 but are derived from third parties for the provision of sewerage services for which costs are separately disclosed in table 22.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>14</b>	Third party services (water service)	£m	3
<b>Definition</b>	Revenue derived from third parties for the provision of water services for which costs are separately disclosed in table 21.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Calculated: sum of lines 10, 11, 12 and 13		
<b>Responsibility</b>	Regulatory Finance		

<b>14</b>	Third party services (sewerage service)	£m	3
<b>Definition</b>	Revenue derived from third parties for the provision of sewerage services for which costs are separately disclosed in table 22.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Calculated: sum of lines 11, 12 and 13		
<b>Responsibility</b>	Regulatory Finance		

<b>15</b>	Other sources (excluding large users, third parties and special agreements) (water service)	£m	3
<b>Definition</b>	All other sources of turnover for water services that are not reported in the lines 1 to 14.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>15</b>	Other sources (excluding large users, third parties and special agreements) (sewerage service)	£m	3
<b>Definition</b>	All other sources of turnover for sewerage services that are not reported in lines, 1 to 14.		
<b>Primary Purpose</b>	Informing future price limit determinations		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance		

<b>16</b>	Total turnover (water service)	£m	3
<b>Definition</b>	Total appointed business revenue for water services.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Calculated: sum of lines 3, 6, 8, 9, 14 and 15.		
<b>Responsibility</b>	Regulatory Finance		

<b>16</b>	Total turnover (sewerage service)	£m	3
<b>Definition</b>	Total appointed business revenue for sewerage services.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Calculated: sum of lines 3, 6, 7, 8, 9, 14 and 15.		
<b>Responsibility</b>	Regulatory Finance		

## B OPERATING INCOME

<b>17</b>	Current cost profit or loss on sale of fixed assets (water service)	£m	3
<b>Definition</b>	Net current cost profit/loss on disposal of fixed assets relating to water services.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input (positive number for profits, negative if loss)		
<b>Responsibility</b>	Regulatory Finance Team		

<b>17</b>	Current cost profit or loss on sale of fixed assets (sewerage service)	£m	3
<b>Definition</b>	Net current cost profit/loss on disposal of fixed assets relating to sewerage services.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input (positive number for profits, negative if loss)		
<b>Responsibility</b>	Regulatory Finance Team		

<b>18</b>	Exceptional items (water service)	£m	3
<b>Definition</b>	Exceptional items of an income nature are material net inflows which derive from events or transactions that fall within the ordinary activities of NI Water, and which need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. This is consistent with paragraph 5 of FRS3 'Reporting Financial Performance'.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance Team		

<b>18</b>	Exceptional items (sewerage service)	£m	3
<b>Definition</b>	Exceptional items of an income nature are material net inflows which derive from events or transactions that fall within the ordinary activities of NI Water, and which need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. This is consistent with paragraph 5 of FRS3 'Reporting Financial Performance'.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance Team		

<b>19</b>	Other operating income (water service)	£m	3
<b>Definition</b>	Other operating income derived from operating activities for the water service (i.e. not classified as other income) but excluding exceptional items and profit/loss on disposal of fixed assets.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance Team		

<b>19</b>	Other operating income (sewerage service)	£m	3
<b>Definition</b>	Other operating income derived from operating activities for the sewerage service (i.e. not classified as other income) but excluding exceptional items and profit/loss on disposal of fixed assets.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input (positive number)		
<b>Responsibility</b>	Regulatory Finance Team		

<b>20</b>	Total operating income (water service)	£m	3
<b>Definition</b>	Current cost profit on disposal of fixed assets related to water services plus exceptional income relating to water services.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Calculated: sum of column 1 lines 17, 18 and 19.		
<b>Responsibility</b>	Regulatory Finance Team		

<b>20</b>	Total operating income (sewerage service)	£m	3
<b>Definition</b>	Current cost profit on disposal of fixed assets related to water services plus exceptional income relating to sewerage services.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Calculated: sum of lines 17, 18 and 19.		
<b>Responsibility</b>	Regulatory Finance Team		

## C WORKING CAPITAL ADJUSTMENT

<b>21</b>	Working capital adjustment (water service)	£m	3
<b>Definition</b>	An adjustment for the impact of general inflation on the real value of working capital to the business for water services.  Note: A reduction in profit carries a negative sign.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance Team		

<b>21</b>	Working capital adjustment (sewerage service)	£m	3
<b>Definition</b>	An adjustment for the impact of general inflation on the real value of working capital to the business for sewerage services.  Note: A reduction in profit carries a negative sign.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Input		
<b>Responsibility</b>	Regulatory Finance Team		

## CHANGE CONTROL SHEET CHAPTER 23

2008/1.0	First issue of chapter for the SBP period
2009/1.0	<ul style="list-style-type: none"> <li>• Second issue of chapter for the SBP period;</li> <li>• Additional reporting requirements added for internal controls;</li> <li>• Additional reporting requirements regarding Crystal Alliance reporting packs;</li> <li>• New reporting requirements regarding monthly monitoring processes;</li> <li>• New reporting requirements regarding meter reading and Crystal Alliance data;</li> <li>• Additional reporting requirements regarding accrued income.</li> </ul>