

Chapter 27

Regulatory Accounts

Current Cost Accounting

Covering:
Movement on current cost reserve

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Regulatory Accounts

Movement on current cost reserve

Company commentary

Commentary should be provided on the calculation of the:

- working capital adjustment; and
- financing adjustment.

Where an AMP adjustment has occurred in the year then there should be a cross-reference to the relevant commentary on table 25 rather than duplicated text.

Where the opening balance differs from the prior year closing balance by more than +/- £0.002m then reasons for this should be given in the commentary.

Guidance to Auditors

| See "Auditors' guidance part A "General procedures".

Table 27 Line definitions

| | | | |
|------------------------|---|----|-----|
| 1 | Current cost reserve at 1 April | £m | 3dp |
| Definition | The balance on the current cost reserve at the start of the year | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Columns 1 and 2 : historic data Column 3 : Input | | |
| Responsibility | Regulatory Finance Team | | |

| | | | |
|------------------------|--|----|-----|
| 2 | AMP adjustment | £m | 3dp |
| Definition | Any revision during the year in the real value of tangible fixed assets arising periodically from improved information, notably in Asset Management Plans and Strategic Business Plans. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Columns 1 and 2 : historic data Column 3 : Input (positive number if a gain, negative number if a loss). AMP adjustments concerning prior years should be inflated by RPI before input. | | |
| Responsibility | Regulatory Finance Team | | |

A RPI ADJUSTMENTS

| | | | |
|------------------------|---|----|-----|
| 3 | Fixed assets | £m | 3dp |
| Definition | The RPI adjustment denoting the change in the value of tangible fixed assets arising from the impact of general inflation, as measured by the change in the retail price index between the opening and closing balance sheet dates. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Input (positive number if there is to be an increase in the current cost reserve; negative number if there is to be a decrease in the current cost reserve.) | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|--|----|-----|
| 4 | Working capital adjustment | £m | 3dp |
| Definition | The adjustment for the impact of general inflation on the real value of working capital to the business between opening and closing balance sheet dates. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Copied: table 20 line 4 and the sign reversed. | | |
| Responsibility | Regulatory Finance Team | | |

| | | | |
|------------------------|--|----|-----|
| 5 | Financing adjustment | £m | 3dp |
| Definition | The real gain or loss arising for shareholders from the impact of general inflation on monetary assets and liabilities. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Columns 1 and 2 : historic data Column 3 : Input (The adjustment should be made on the movement on the RPI between opening and closing balance sheet dates; positive number if there is to be an increase in the current cost reserve; negative number if there is to be a decrease in the current cost reserve.) | | |
| Responsibility | Regulatory Finance Team | | |

| | | | |
|------------------------|---|----|-----|
| 6 | Grants and third party contributions | £m | 3dp |
| Definition | The adjustment for the impact of general inflation on third party grants and contributions between opening and closing balance sheet dates. | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Columns <u>1</u> <u>and 2</u> : historic data Column <u>3</u> : Input (positive number if there is to be an increase in the current cost reserve; negative number if there is to be a decrease in the current cost reserve.) | | |
| Responsibility | Regulatory Finance Team | | |

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|------------------------|--|----|-----|
| 7 | Current cost reserve at 31 March | £m | 3dp |
| Definition | The balance on the current cost reserve at the end of the year | | |
| Primary Purpose | Informing relative performance and efficiency assessments. | | |
| Processing rule | Calculated: the sum of lines 1, 2, 3, 4, 5 and 6. | | |
| Responsibility | Regulatory Finance Team | | |

CHANGE CONTROL SHEET

CHAPTER 27

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| 2008/1.0 | First issue of chapter for the SBP period |
| 2009/1.0 | <ul style="list-style-type: none">• Second issue of chapter for the SBP period• Amended processing rules for lines 1,2,4,5 and 6. |
| 2010/1.0 | Third issue of chapter for the SBP period. <ul style="list-style-type: none">• Minor changes to processing rules for selected lines. |
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