

Board's Overview

Chapter 2

Table C

Covering:
Financial performance measures

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Financial performance measures

Guidance

Table C summarises the financial position of the regulated business for the year. The table includes summarised profit and loss information and the key financial parameter of the return on the regulatory capital value together with data on financial indicators.

Company commentary

NI Water should comment on:

- profitability, dividend policy, provisions, the financing of investment, level of investment and the impact on financial ratios;
- costs (capital and operating) against expectations both of NI Water and NIAUR including:
 - any additional material changes from the PC10 Final Determination that have caused any variation against expenditure allowed for; and
 - any exceptional costs or savings incurred.
- details of its PPP contracts including the magnitude of the contracts both on and off balance sheet, the terms of the contract, handover period, effective rate of interest and the expected residual value at the end of the contract. NI Water should in tabular format show by scheme the breakdown of each cash payment into its separable elements including opex, interest, capital repayment and assumed capital maintenance expenditure. NI Water should also provide a copy of its PPP accounting policies and the rationale for their accounting treatment of particular PPP contracts.

NI Water should summarise any significant changes in current cost depreciation and the infrastructure renewals charge. This should include a complete explanation of any changes in policy.

Regulatory capital value

NI Water should present its outturn Regulatory Capital Value in line 8 of table C of the Board overview. NI Water should provide a calculation for the RCV roll forward from the prior year closing balance to the outturn at the end of the 10/11 financial year. In addition, in the event of any difference, NIW should include a reconciliation between the 10/11 Annual Report and financial accounts RCV and that presented in line 8 of table C.

Cost of capital

NI Water should include a commentary on its weighted average cost of capital plus the underlying assumptions and basis on which the pre and post tax cost of capital have been determined.

Table C line definitions

1	Total operating expenditure – water service	£m	3dp
Definition	Total operating expenditure includes all NI Water opex on both its own facilities and on PPP assets e.g. PPP rates, power, scientific services etc. The only opex excluded should be the PPP unitary charge payment		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 35, line 24.		
Responsibility	Comparative Efficiency and Performance Team		

1a	Total operating expenditure (PPP) – water service	£m	3dp
Definition	Total operating expenditure resulting from PPP unitary charge payments.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

2	Total capital expenditure (excl. adopted and nil cost assets) – water service	£m	3dp
Definition	The total of all expenditure for both base service and enhancement purposes excluding items recorded as additions in Table 32 (and the Regulatory Accounts) for adopted assets and assets at nil cost (in accordance with RAG 1.04) but where no expenditure has been incurred.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 35, line 28.		
Responsibility	Network Regulation Team		

3	Total operating expenditure – sewerage	£m	3dp
Definition	Total operating expenditure includes all NI Water opex on both its own facilities and on PPP assets e.g. PPP rates, power, scientific services etc. The only opex excluded should be the PPP unitary charge payment		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 36, line 21.		
Responsibility	Comparative Efficiency and Performance Team		

3a	Total operating expenditure (PPP) – sewerage	£m	3dp
Definition	Total operating expenditure resulting from PPP unitary charge payments.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Network Regulation Team		

4	Total capital expenditure (excl. adopted and nil cost assets) - sewerage	£m	3dp
Definition	The total of all expenditure for both base service and enhancement purposes excluding asset items recorded as additions in Table 32 (and the Regulatory Accounts) for adopted assets and assets at nil cost (in accordance with RAG 1.04) but where no expenditure has been incurred.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 36, line 25.		
Responsibility	Network Regulation Team		

5	Total turnover	£m	3dp
Definition	Total appointed business revenue.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 23, line 16, column 9.		
Responsibility	Regulatory Finance Team		

6	Current cost operating costs (including CCD & IRC)	£m	3dp
Definition	Total cost current operating costs including capital maintenance, excluding extraordinary items.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied field: table 20, line 2.		
Responsibility	Regulatory Finance Team		

7	Current cost operating profit	£m	3dp
Definition	Current cost operating profit before tax, interest and extraordinary items.		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Copied field: table 20, line 5.		
Responsibility	Regulatory Finance Team		

8	Capital Value Year End (outturn)	£m	3dp
Definition	Regulatory capital value at the financial year end.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input		
Responsibility	Regulatory Finance Team		

9	Total net debt	£m	3dp
Definition	Net debt at financial year-end. Cash and investments less total borrowings. Cash and investments include cash in hand, short term investments, loans to group companies and other loans. Total borrowings include bank overdrafts, bank loans, finance leases, debentures, EIB loans, loans from group companies and other loans (including commercial bills and paper).		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Calculated field: the sum of table 19 lines 7, 8, 11, 14, 20 and 27 all multiplied by -1.		
Responsibility	Regulatory Finance Team		

10a	Post tax return on capital	%	2dp
Definition	Current Cost operating profit less tax as a return on Regulatory Capital Value.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated field: the sum of table 20, line 5 and line 10 all divided by the average regulatory capital value multiplied by 100.		
Responsibility	Regulatory Finance Team		

10b	Pre tax return on capital	%	2dp
Definition	Current Cost operating profit before tax as a return on Regulatory Capital Value		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated field: the sum of table 20, line 5 divided by the average regulatory capital value multiplied by 100.		
Responsibility	Regulatory Finance Team		

11	Cash interest cover (funds from operations; gross interest)	ratio	2dp
Definition	The number of times the gross interest payments are covered by funds from operations (where funds from operations are operating cashflows plus interest received but before working capital movements and net of tax payments).		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: Table 29 line 9 plus table 28 line 2 plus table 28 line 7 minus table 29 line 3 divided by (table 28 line 3 plus table 28 line 4) times -1		
Responsibility	Regulatory Finance Team		

12	Adjusted cash interest cover (funds from operations less capital charges; gross interest)	ratio	2dp
Definition	The number of times the gross interest payments are covered by funds from operations net of CCD and IRC (where funds from operations are operating cashflows plus interest received but before working capital movements and net of tax payments).		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: Table 29 line 9 plus table 28 line 2 plus table 28 line 7 minus table 29 line 3 minus table 25 line 13 column 9 minus table 33 line 6 column 12 divided by –1 times (table 28 line 3 plus table 28 line 4).		
Responsibility	Regulatory Finance Team		

13	Adjusted cash interest cover (funds from operations less capital maintenance; gross interest)	ratio	2dp
Definition	The number of times the gross interest payments are covered by funds from operations net of MNI and IRE (where funds from operations are operating cashflows plus interest received but before working capital movements and net of tax payments).		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: Table 29 line 9 plus table 28 line 2 plus table 28 line 7 minus table 29 line 3 minus table 35 line 2 minus table 35 line 3 minus table 36 line 2 minus table 36 line 3 divided by minus 1 times (table 28 line 3 plus table 28 line 4).		
Responsibility	Regulatory Finance Team		

14	Funds from operations: debt	ratio	2dp
Definition	Funds from operations expressed as a percentage of net debt (where funds from operations are; operating cashflows before working capital movements and net of tax payments and 'net interest' payments).		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: (Table 29 line 9 add table 28 line 2 add table 28 line 7 minus table 29 line 3 add table 28 line 3 add table 28 line 4) divided by table C line 9.		
Responsibility	Regulatory Finance Team		

15	Retained cash flow: debt	ratio	2dp
Definition	Retained cash flow expressed as a percentage of net debt (where 'Retained cash flow' is; operating cashflows less tax payments, 'net interest' payments and equity dividends).		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: (Table 29 line 9 add table 28 line 2 add table 28 line 7 add table 28 line 3 add table 28 line 4 add table 28 line 15), divided by table C line 9.		
Responsibility	Regulatory Finance Team		

16	Gearing: D/RCV	%	2dp
Definition	Net debt as a percentage of the total regulatory capital value at the financial year end.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: line 9 divided by line 8 multiplied by 100.		
Responsibility	Regulatory Finance Team		

CHANGE CONTROL SHEET

BOARD OVERVIEW CHAPTER 2

2008/1.0	First issue of chapter for the SBP period
2009/1.0	Second issue of chapter for the SBP period - Included additional reporting requirements for PPP, RCV and Cost of capital; - Amended processing rules for lines 10b and 12
2010/1.0	Third issue of chapter for the SBP period - Minor revisions
2011/1.0	First issue of chapter for the PC10 period - Minor changes
2011/2.0	- Clarification of opex guidance for lines 1, 1a, 3 and 3a.