

Chapter 20

Regulatory accounts

Current Cost Accounting

Covering:
Profit and loss account for year ending 31 March
2011

Chapter 20

Regulatory accounts

Current Cost Accounting

Guidance

The requirements relate to the appointed business and table 20 is no exception. It should be completed for the profit and loss account of the appointed business only.

Company commentary

Exceptional charges or income should be commented upon and quantified, as should the headings under which they are included in the profit and loss account.

The definition of monetary assets and liabilities for the purposes of calculating the financing adjustment excludes dividends payable. Any exceptions to this should be reported.

Profits attributable to minority interests should be shown as extraordinary items and noted separately.

The PPP element of any line should be disclosed separately in commentary.

For all items in the table significant features, movements, events and transactions over the last period should be noted. However, where movements have been explained in the commentary to tables 18 or 27, then a cross-reference should be provided rather than duplication of the commentary.

Operating costs

Line 2 relates to current cost operating costs. A detailed breakdown should be presented for any cost components exceeding £5m and a supporting commentary provided. In addition, any PPP component should be presented separately along with a commentary detailing the breakdown of any PPP amounts.

Voluntary Early Retirement

NI Water should provide a comprehensive account of the Voluntary Early Retirement scheme to date and details of any future costs/ provisions likely to occur. This should include the following:

- Actual and proposed staff numbers for uptake of VER for each financial year;
- Provisions relating to VER and their basis and rationale for each financial year;

- Costs associated with VER for each financial year in terms of prepayments, creditors and accruals and the actual cash payments made in each respective financial year
- VER postings to all relevant nominal ledger codes for both profit and loss and balance sheet codes.

Business Improvement costs

- NI Water should show the year end postings to all nominal ledger codes for both profit and loss and balance sheet codes.
- NI Water should additionally provide explanation for any reprofiling of expenditure and a commentary explaining any reprofiling.

Pension

- NI Water should describe the outcome or indicative outcome of the 'Options Exercise'. This should include details of staff numbers transferring and associated costs and provisions (if applicable).
- NI Water should detail the extent of pension costs allocated to non appointed activities and a breakdown of the relevant amount (if applicable).
- NI Water should provide VER postings to all relevant nominal ledger codes for both profit and loss and balance sheet codes.

Capitalisation of costs

NI Water should describe the amounts and categories of costs capitalised from the profit and loss account: for example- salaries and wages, overheads etc. The supporting commentary should describe the basis for this capitalisation and any assumptions made.

Guidance to Auditors

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

Table 20 line definitions

1	Turnover	£m	3dp
Definition	Total appointed business revenue		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Column 1: copied - table 23 line 16 column 3. Column 2: copied - table 23 line 16 column 6. Column 3: copied - table 23 line 16 column 9.		
Responsibility	Regulatory Finance Team		

2	Current cost operating costs (including CCD & IRC)	£m	3dp
Definition	Total current operating costs including capital maintenance charges, but excluding extraordinary items.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: (table 21 line 34 + table 22 line 33) x (-1) – 2010-11. Input: 2008-09 and 2009-10.		
Responsibility	Regulatory Finance Team		

3	Operating income	£m	3dp
Definition	Current cost operating income includes current cost profit or loss on disposal of fixed assets and income from exceptional items. Exceptional items are defined in paragraph 5 of FRS3 'Reporting Financial Performance'.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Column 1: calculated – sum of table 23 lines 17 & 18 column 3. Column 2: calculated –sum of table 23 lines 17 & 18 column 6. Column 3: calculated – sum of table 23 lines 17 & 18 column 9.		
Responsibility	Regulatory Finance Team		

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		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Column 1: copied - table 23 line 21 column 3. Column 2: copied - table 23 line 21 column 6. Column 3: copied - table 23 line 21 column 9.		
Responsibility	Regulatory Finance Team		

5	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	Calculated: sum of lines 1, 2, 3 and 4		
Responsibility	Regulatory Finance Team		

6	Other income	£m	3dp
Definition	Includes rental income and income from investments (e.g. share income); excludes net interest and profit on disposals on fixed assets.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied: table 18 line 6		
Responsibility	Regulatory Finance Team		

7	Net interest receivable less payable	£m	3dp
Definition	Interest receivable less interest payable. Interest receivable includes interest on cash and other deposits. Interest payable includes interest on loans, leases, debentures, overdrafts and all other borrowings e.g. commercial paper or bills of exchange.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied: table 18d line 12		
Responsibility	Regulatory Finance Team		

8	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	Calculated: table 27 line 5 multiplied by –1		
Responsibility	Regulatory Finance Team		

9	Current cost profit before taxation	£m	3dp
Definition	Current cost profit before taxation		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 5, 6, 7 and 8		
Responsibility	Regulatory Finance Team		

10	Current tax	£m	3dp
Definition	The current tax charge on profits from ordinary activities. This will include mainstream corporation tax, income and other taxes. It should exclude any deferred tax charge, which is to be reported separately in line 11.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied: table 18 line 9		
Responsibility	Regulatory Finance Team		

11	Deferred tax	£m	3dp
Definition	The deferred tax charge.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied: table 18 line 10		
Responsibility	Regulatory Finance Team		

12	Current cost profit on ordinary activities	£m	3dp
Definition	Current cost profit after taxation but before extraordinary items		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 9, 10 and 11		
Responsibility	Regulatory Finance Team		

13	Extraordinary items	£m	3dp
Definition	The sum of: <ul style="list-style-type: none"> Extraordinary items (after tax), as defined by UKGAAP; and Profits/losses attributable to minority interests. 		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Input: (negative number if a charge, positive number if a credit).		
Responsibility	Regulatory Finance Team		

14	Current cost profit attributable to shareholders	£m	3dp
Definition	Current cost profit for the year after taxation and extraordinary items, but before dividends.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 12 and 13		
Responsibility	Regulatory Finance Team		

15	Dividends	£m	3dp
Definition	Total dividends.		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Copied: table 18d line 3		
Responsibility	Regulatory Finance Team		

16	Current cost profit retained	£m	3dp
Definition	Current cost retained profit for the financial year		
Primary Purpose	Informing relative performance and efficiency assessments.		
Processing rule	Calculated: sum of lines 14 and 15		
Responsibility	Regulatory Finance Team		

CHANGE CONTROL SHEET

CHAPTER 20

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; • Additional reporting requirements for Business Improvement Plan; • Additional reporting requirements for Voluntary Early Retirement; • Additional reporting requirements for pension.
2010/1.0	Third issue of chapter for the SBP period. <ul style="list-style-type: none"> • Additional section added in relation to operating costs. • Additional requirements in relation to presentation of capitalised costs.
2011/1.0	First issue of chapter for PC10 period; <ul style="list-style-type: none"> • No changes.