

Chapter 23

Regulatory accounts

Covering:
Analysis of turnover and operating income

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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. 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 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 provide a reconciliation between the year end balances on Rapid Xtra and the nominal ledger for all relevant income streams and explain any deviations greater than £10k.
 - 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
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- 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 (2009-10); and
 - Explanations of any large year on year movements in income accrued or differences between accrued and actual income billed for 2009-10.

Subsidy

For AIR11 there are additional requirements in relation to the presentation of subsidy income. NI Water should enter revenue in columns 7-9 inclusive of

subsidy income in the same manner as in prior years. The total revenue in line 16 of column 9 should equate to the total revenue. Additional columns have been added (columns 10 and 11) for the separate presentation of subsidy included within columns 7-9 inclusive. In its commentary, NI Water should present the total subsidy received in 2010-11, its breakdown per revenue group and the basis for its receipt- for example as 50% of unmetered customer charges, in respect of domestic allowance, etc.

Roads Drainage

NIW are required to present the amount of roads drainage income and the supporting calculations underpinning its invoicing. Roads drainage income should be presented in line 7a, total revenue should be entered in columns 7-9 inclusive of subsidy and the subsidy element separately presented in columns 10 and 11.

Non tariff basket revenue

Table 23 has been updated to collect information required for presentation of revenue within and outside of the tariff basket system.

NI Water are required to present the movement of revenue between tariff basket and non tariff basket revenue from non-household customers. This could happen, for example, if a non-household's consumption rises above, or falls below, the large user threshold. It could also happen as a result of a change in the large user threshold. NI Water should report net changes in the tariff basket revenue base.

We have added the following lines in table 23 to present the net revenue movement:

- Net revenue movement out of the tariff basket (water service); and
- Net revenue movement out of the tariff basket (sewerage service).

In addition, NI Water should provide a detailed breakdown in its commentary detailing the breakdown of the net movement out of the tariff basket and the reasoning behind the movement in revenue.

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.

Column 9 is the sum of columns 7 and 8 and presents the total revenue regardless of whether from subsidy or from customer charges.

References to columns 7, 8 and 9 may be assumed to apply, with the necessary changes, to columns 1-6 (prior years).

Subsidy contained within columns 7-9 inclusive should be separately disclosed in columns 10 and 11 dependent on whether the revenue relates to the water or sewerage service (columns 10 and 11 respectively). Subtracting the summation of columns 10 and 11 from column 9 should equate to the revenue from customer charges. Where this is not the case a commentary should be provided explaining the deviation.

Table 23 line definitions

A TURNOVER

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

1	Unmeasured – household (sewerage services)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

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

2	Unmeasured – non-household (sewerage services)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

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

3	Unmeasured (sewerage services)	£m	3
Definition	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.		
Primary Purpose	Checking compliance with statutory and Licence requirements		
Processing rule	Calculated: sum of lines 1 and 2		
Responsibility	Regulatory Finance		

4	Measured – household (water services)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

4	Measured – household (sewerage services)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

5	Measured – non-household (water services)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

5	Measured – non-household (sewerage services)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

6	Measured (water services)	£m	3
Definition	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.		
Primary Purpose	Checking compliance with statutory and Licence requirements		
Processing rule	Calculated: sum of lines 4 and 5		
Responsibility	Regulatory Finance		

6	Measured (sewerage services)	£m	3
Definition	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.		
Primary Purpose	Checking compliance with statutory and Licence requirements		
Processing rule	Calculated: sum of lines 4 and 5:		
Responsibility	Regulatory Finance		

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

7a	Roads Drainage revenue	£m	3
Definition	All revenue accrued in relation to roads drainage charges.		
Primary Purpose	Checking compliance with statutory and Licence requirements		
Processing rule	Input (positive number)		
Responsibility	Regulatory Finance		

8	Large user and special agreements (water services)	£m	3
Definition	All revenue accrued from the sale of potable water to: <ul style="list-style-type: none"> 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; 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. <p>Exclude revenue from the sale of non-potable water to large user and special agreement customers.</p>		
Primary Purpose	Informing future price limit determinations		

Processing rule	Input		
Responsibility	Regulatory Finance		
8	Large user and special agreements (sewerage services)	£m	3
Definition	All revenue accrued from provision of sewerage services including the reception, treatment and disposal of trade effluent to: <ul style="list-style-type: none"> 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; 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. 		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

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

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

10	Non potable water large user and special agreements (water services)	£m	3
Definition	All revenue accrued from the sale of non-potable water to: <ul style="list-style-type: none"> 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 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. 		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

11	Rechargeable works (water service)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

11	Rechargeable works (sewerage service)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

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

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

13	Other appointed business (third party) (water service)	£m	3
Definition	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).		
Processing rule	Input		
Responsibility	Regulatory Finance		

13	Other appointed business (third party) (sewerage service)	£m	3
Definition	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.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance		

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

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

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

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

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

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

B OPERATING INCOME

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

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

18	Exceptional items (water service)	£m	3
Definition	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'.		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Input (positive number)		
Responsibility	Regulatory Finance Team		

18	Exceptional items (sewerage service)	£m	3
Definition	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'.		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Input (positive number)		
Responsibility	Regulatory Finance Team		

19	Other operating income (water service)	£m	3
Definition	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.		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Input (positive number)		
Responsibility	Regulatory Finance Team		

19	Other operating income (sewerage service)	£m	3
Definition	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.		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Input (positive number)		
Responsibility	Regulatory Finance Team		

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

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

C WORKING CAPITAL ADJUSTMENT

21	Working capital adjustment (water service)	£m	3
Definition	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.		
Primary Purpose	Informing relative performance and efficiency assessments		
Processing rule	Input		
Responsibility	Regulatory Finance Team		

21	Working capital adjustment (sewerage service)	£m	3
Definition	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.		

Primary Purpose	Informing relative performance and efficiency assessments
Processing rule	Input
Responsibility	Regulatory Finance Team

D REVENUE CORRECTION MECHANISM

22	Net revenue movement out of the tariff basket (water service)	£m	3
Definition	The revenue of customers for the water service in the report year for which revenue in the previous year was reported in lines 1 to 7, but for the report year is reported in lines 8 to 15. Net off the revenue of customers in the report year for which revenue in the previous year was reported in lines 8 to 15, but for the report year is reported in lines 1 to 7.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	Regulatory Finance Team		

22	Net revenue movement out of the tariff basket (sewerage service)	£m	3
Definition	The revenue of customers for the sewerage service in the report year for which revenue in the previous year was reported in lines 1 to 7, but for the report year is reported in lines 8 to 15. Net off the revenue of customers in the report year for which revenue in the previous year was reported in lines 8 to 15, but for the report year is reported in lines 1 to 7a.		
Primary Purpose	Informing future price limit determinations		
Processing rule	Input		
Responsibility	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"> • Second issue of chapter for the SBP period; • Additional reporting requirements added for internal controls; • Additional reporting requirements regarding Crystal Alliance reporting packs; • New reporting requirements regarding monthly monitoring processes; • New reporting requirements regarding meter reading and Crystal Alliance data; • Additional reporting requirements regarding accrued income.
2010/1.0	Third issue of chapter for the SBP period. <ul style="list-style-type: none"> • Requirement for NI Water to perform a reconciliation between income stream balances on Rapid Xtra and that on the nominal ledger. • Additional line 7a for presentation of roads drainage revenue and additional roads drainage reporting requirements. • Additional columns 10 and 11 added for presentation of subsidy income and additional subsidy reporting requirements. • Additional line 23 to show revenue movement out of the tariff basket and additional commentary requirements in relation to movement out of the tariff basket.
2011/1.0	First issue of chapter for the PC10 period. <ul style="list-style-type: none"> • Minor revisions e.g. deletion of references to an Interim Principal Statement.