

# Board's Overview

## Chapter 2

### Table C

Covering:  
Financial performance measures

## Chapter 2

# 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 break-down 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 2012-13 financial year. In addition, in the event of any difference, NIW should include reconciliation between the 2012-13 Annual Report and financial accounts RCV and that presented in line 8 of table C.

**Table C line definitions**

<b>1</b>	Total operating expenditure – water service	£m	3dp
<b>Definition</b>	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.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 35, line 24.		
<b>Responsibility</b>	Comparative Efficiency and Performance Team		

<b>1a</b>	Total operating expenditure (PPP) – water service	£m	3dp
<b>Definition</b>	Total operating expenditure resulting from PPP unitary charge payments.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 42 Line 20 – Water Service column		
<b>Responsibility</b>	Network Regulation Team		

<b>2</b>	Total capital expenditure (excl. adopted and nil cost assets) – water service	£m	3dp
<b>Definition</b>	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.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 35, line 28.		
<b>Responsibility</b>	Network Regulation Team		

<b>3</b>	Total operating expenditure – sewerage	£m	3dp
<b>Definition</b>	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		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 36, line 21.		
<b>Responsibility</b>	Comparative Efficiency and Performance Team		

<b>3a</b>	Total operating expenditure (PPP) – sewerage	£m	3dp
<b>Definition</b>	Total operating expenditure resulting from PPP unitary charge payments.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 42 Line 20 – Sewerage Service column		
<b>Responsibility</b>	Network Regulation Team		

<b>4</b>	Total capital expenditure (excl. adopted and nil cost assets) - sewerage	£m	3dp
<b>Definition</b>	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.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 36, line 25.		
<b>Responsibility</b>	Network Regulation Team		

<b>5</b>	Total turnover	£m	3dp
<b>Definition</b>	Total appointed business revenue.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Copied field: table 23, line 16, column 12.		
<b>Responsibility</b>	Regulatory Finance Team		

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

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

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

<b>9</b>	Total net debt	£m	3dp
<b>Definition</b>	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).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments		
<b>Processing rule</b>	Calculated field: the sum of table 19 lines 7, 8, 11, 14, 20 and 27 all multiplied by -1.		
<b>Responsibility</b>	Regulatory Finance Team		

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

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

<b>11</b>	Cash interest cover (funds from operations: gross interest)	ratio	2dp
<b>Definition</b>	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).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	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		
<b>Responsibility</b>	Regulatory Finance Team		

<b>12</b>	Adjusted cash interest cover (funds from operations less capital charges: gross interest)	ratio	2dp
<b>Definition</b>	The number of times the gross interest payments are covered by funds from operations <b>net</b> of CCD and IRC (where funds from operations are operating cashflows plus interest received but before working capital movements and net of tax payments).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	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).		
<b>Responsibility</b>	Regulatory Finance Team		

<b>13</b>	Adjusted cash interest cover (funds from operations less capital maintenance: gross interest)	ratio	2dp
<b>Definition</b>	The number of times the gross interest payments are covered by funds from operations <b>net</b> of MNI and IRE (where funds from operations are operating cashflows plus interest received but before working capital movements and net of tax payments).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	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).		
<b>Responsibility</b>	Regulatory Finance Team		

<b>14</b>	Funds from operations: debt	ratio	2dp
<b>Definition</b>	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).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	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.		
<b>Responsibility</b>	Regulatory Finance Team		

<b>15</b>	Retained cash flow: debt	ratio	2dp
<b>Definition</b>	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).		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	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.		
<b>Responsibility</b>	Regulatory Finance Team		

<b>16</b>	Gearing: D/RCV	%	2dp
<b>Definition</b>	Net debt as a percentage of the total regulatory capital value at the financial year end.		
<b>Primary Purpose</b>	Informing relative performance and efficiency assessments.		
<b>Processing rule</b>	Calculated: line 9 divided by line 8 multiplied by 100.		
<b>Responsibility</b>	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 <ul style="list-style-type: none"> <li>- Included additional reporting requirements for PPP, RCV and Cost of capital;</li> <li>- Amended processing rules for lines 10b and 12</li> </ul>
2010/1.0	Third issue of chapter for the SBP period <ul style="list-style-type: none"> <li>- Minor revisions</li> </ul>
2011/1.0	First issue of chapter for the PC10 period <ul style="list-style-type: none"> <li>- Minor changes</li> </ul>
2011/2.0	- Clarification of opex guidance for lines 1, 1a, 3 and 3a.
2012/1.0	Second issue of chapter for the PC10 period. <ul style="list-style-type: none"> <li>- Lines 1a and 3a processing rules amended - PPP opex expenditure copied from Table 42.</li> </ul>
2013/1.0	Third issue of chapter for the PC10 period <ul style="list-style-type: none"> <li>- Minor changes</li> </ul>