

**Key Components – Financial Measures**

**Table B7.7 - Financial Model Income & Expenditure Account**

**Block A – Water Service**

<b>1</b>	Cost of Capital	£m (3dp)
<b>Full line title</b>	Cost of Capital	
<b>Definition</b>	This should be a balancing item so that the revenue for 2005-06 is in line with current predictions	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>2</b>	Base operating costs for the water service	£m (3dp)
<b>Full line title</b>	Base operating costs for the water service	
<b>Definition</b>	Projected operational expenditure to maintain the levels of service delivered in the base year 2003-04  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

3	New factors (outside Mgmt ctrl) impacting base operating costs for the water service	£m (3dp)
<b>Full line title</b>	New factors (outside management control) impacting base operating costs for the water service  This should be in 2005-06 prices	
<b>Definition</b>	New factors (outside management control) impacting base operating costs for the water service. If this number is non-zero then detail in commentary.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

4	Drinking Water compliance	£m (3dp)
<b>Full line title</b>	New operating costs: Drinking Water compliance  This should be in 2005-06 prices	
<b>Definition</b>	Projected operating expenditure associated with improvements in drinking water compliance, over and above the level delivered in the base year 2003-04.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>5</b>	Abstraction Control Costs	£m (3dp)
<b>Full line title</b>	New operating costs: Abstraction Control Costs	
<b>Definition</b>	Projected operating expenditure associated with abstraction controls, over and above the obligations in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>6</b>	Growth	£m (3dp)
<b>Full line title</b>	New operating costs: Growth	
<b>Definition</b>	Projected operating expenditure associated with growth, over and above the level delivered in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>7</b>	Security of Supply	£m (3dp)
<b>Full line title</b>	New operating costs: Security of supply	
<b>Definition</b>	Projected operating expenditure associated with Security of supply, over and above the obligations in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>8</b>	Improvement in the level of Customer Service	£m (3dp)
<b>Full line title</b>	New operating costs: Improvement in the level of Customer Service	
<b>Definition</b>	Projected operating expenditure associated with improvements in the level of Customer Service, over and above the level delivered in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>9</b>	Efficiency Targets on Base Operating Costs	£m (3dp)
<b>Full line title</b>	Efficiency Targets on Base Operating Costs	
<b>Definition</b>	Planned efficiency target (cumulative) on base operating costs in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>10</b>	Efficiency Targets on New Operating Costs	£m (3dp)
<b>Full line title</b>	Efficiency Targets on New Operating Costs	
<b>Definition</b>	Planned efficiency target (cumulative) on new operating costs in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

**Block B – Wastewater Service**

<b>11</b>	Base operating costs for the wastewater service	£m (3dp)
<b>Full line title</b>	Base operating costs for the wastewater service	
<b>Definition</b>	Projected operational expenditure to maintain the levels of service delivered in the base year 2003-04  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>12</b>	New factors (outside Mgmt ctrl) impacting base operating costs for the wastewater service	
<b>Full line title</b>	New factors (outside Mgmt ctrl) impacting base operating costs for the wastewater service	
<b>Definition</b>	New factors (outside management control) impacting base operating costs for the wastewater service. If this number is non-zero then detail in commentary.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

13	Environmental compliance	£m (3dp)
<b>Full line title</b>	New operating costs: Environmental compliance	
<b>Definition</b>	Projected operating expenditure associated with environmental compliance, over and above the obligations in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

14	Growth	£m (3dp)
<b>Full line title</b>	New operating costs: Growth	
<b>Definition</b>	Projected operating expenditure associated with growth, over and above the level delivered in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>15</b>	Improvement in the level of Customer Service	£m (3dp)
<b>Full line title</b>	New operating costs: Improvement in the level of Customer Service	
<b>Definition</b>	Projected operating expenditure associated with improvements in the level of Customer Service, over and above the level delivered in the base year 2003-04.  This should be in 2005-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>16</b>	Efficiency Targets on Base Operating Costs	£m (3dp)
<b>Full line title</b>	Efficiency Targets on Base Operating Costs	
<b>Definition</b>	Planned efficiency target (cumulative) on base operating costs in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>17</b>	Efficiency Targets on New Operating Costs	£m (3dp)
<b>Full line title</b>	Efficiency Targets on New Operating Costs	
<b>Definition</b>	Planned efficiency target (cumulative) on new operating costs in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>18</b>	PPP Contract 2006 payment	£m (3dp)
<b>Full line title</b>	PPP Contract 2006 payment	
<b>Definition</b>	Expected Annual charge in 2006 for PPP schemes	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

**Block C – Water and Wastewater services**

<b>19</b>	PPP Efficiency Target	£m (3dp)
<b>Full line title</b>	PPP Efficiency Target	
<b>Definition</b>	Planned efficiency target (cumulative) on PPP schemes in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>20</b>	Interest charge	£m (3dp)
<b>Full line title</b>	Interest charge	
<b>Definition</b>	This includes all interest on loans, leases, debentures, overdrafts and all other borrowings e.g. commercial paper or bills of exchange.	
<b>Processing rules</b>	Input field (positive number)	
<b>Reference</b>	New	



<b>21</b>	Exceptional Items	£m (3dp)
<b>Full line title</b>	Exceptional Items	
<b>Definition</b>	Total exceptional items charged or credited in the year after taxation. Exceptional items are defined in accordance with paragraph 6 of FRS3 <i>Reporting Financial Performance</i>	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22</b>	Taxation Charge payable in Year	£m (3dp)
<b>Full line title</b>		
<b>Definition</b>	Tax charge on profits from ordinary activities. This will include mainstream corporation tax, income and other Inland Revenue taxes. It also includes any movements in the deferred tax provision.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>23</b>	Dividends payable in year	£m (3dp)
<b>Full line title</b>	Dividends payable in year	
<b>Definition</b>	Expected transfer payments to Scottish Executive equivalent to ordinary company dividend	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>24</b>	Asset disposals	£m (3dp)
<b>Full line title</b>	Gain/(loss) on disposal of fixed assets	
<b>Definition</b>	Surplus or loss on fixed assets in the report year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

## Key Components – Financial Measures

Table B7.8 - Financial Model Cash Flow Account and Balance Sheet

## Block A – Cash Flow

1	Infrastructure Renewals Expenditure	£m (3dp)
<b>Full line title</b>	Infrastructure Renewals Expenditure	
<b>Definition</b>	Expenditure incurred in maintaining the existing operating capability of infrastructure assets.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

2	Other Net Asset Additions	£m (3dp)
<b>Full line title</b>	Other Net Asset Additions	
<b>Definition</b>	The net purchase price of fixed assets, excluding infrastructure renewals expenditure, paid for by Scottish Water after any deduction of grants and contributions	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>3</b>	Embedded Debt Repaid	£m (3dp)
<b>Full line title</b>	Embedded Debt Repaid	
<b>Definition</b>	The repayment of loans to Scottish Ministers and Other Sources in the year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>4</b>	Interest Paid	£m (3dp)
<b>Full line title</b>	Interest paid	
<b>Definition</b>	Interest paid includes all interest on loans, leases, debentures, overdrafts and all other borrowings e.g. commercial paper or bills of exchange	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

**Block B – Balance Sheet**

<b>10</b>	Tangible assets	£m (3dp)
<b>Full line title</b>	Tangible assets	
<b>Definition</b>	Historic cost net book value of tangible fixed assets at the end of the financial year. This is stated after deducting grants and contributions received relating to infrastructure assets	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>11</b>	Investments	£m (3dp)
<b>Full line title</b>	Investments	
<b>Definition</b>	Historical cost long term investments (after any provision for diminution in value). Fixed asset investments are those that are intended to be held for the long term, or where there are restrictions on SW's ability to dispose of the investment	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>12</b>	Stocks	£m (3dp)
<b>Full line title</b>	Stocks	
<b>Definition</b>	Stocks held at the year end. Stocks consist of consumable stores and work in progress, including chemicals, stationery, petrol, backfill materials etc.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>13</b>	Debtors	£m (3dp)
<b>Full line title</b>	Debtors	
<b>Definition</b>	Debtors consists of all amounts owing to SW at the financial year end including trade debtors, prepayments and accrued income. This includes amounts falling due after more than one year.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>14</b>	Cash	£m (3dp)
<b>Full line title</b>	Cash	
<b>Definition</b>	Cash in hand, hand and cash deposits balances at the year end. Any overdrafts (i.e. negative cash balances) should be included in borrowings due within one year and the cash balance should be shown as zero.	
<b>Processing rules</b>	Input field (positive number)	
<b>Reference</b>	New	

<b>15</b>	Creditors (falling due within one year)	£m (3dp)
<b>Full line title</b>	Creditors (falling due within one year)	
<b>Definition</b>	Total creditors falling due within once year (other than items defined as borrowings but to include overdraft)	
<b>Processing rules</b>	Input field (positive number)	
<b>Reference</b>	New	

<b>16</b>	Creditors Amounts falling due after more than one year)	£m (3dp)
<b>Full line title</b>	Creditors Amounts falling due after more than one year)	
<b>Definition</b>	Total creditors due after one year (other than items defined as borrowings)	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>17</b>	Provisions for liabilities and charges	£m (3dp)
<b>Full line title</b>	Provisions for liabilities and charges	
<b>Definition</b>	All provisions including deferred tax positions	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>18</b>	Government and Other Loans	£m (3dp)
<b>Full line title</b>	Government and Other Loans	
<b>Definition</b>	All government loans and other loans, both short and long-term but to exclude overdraft	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>19</b>	Capital Reserve	£m (3dp)
<b>Full line title</b>	Capital Reserve	
<b>Definition</b>	Total of stakeholders' funds	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>20</b>	Revaluation Reserve	£m (3dp)
<b>Full line title</b>	Revaluation Reserve	
<b>Definition</b>	Impact of inflation on the net asset base	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>21</b>	Income and Expenditure Account	£m (3dp)
<b>Full line title</b>	Income and Expenditure Account	
<b>Definition</b>	Net operating surplus for each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22</b>	Retained Earnings	£m (3dp)
<b>Full line title</b>	Retained Earnings	
<b>Definition</b>	Cumulative operating surplus for each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

## Key Components – Financial Measures

Table B7.9 - Financial Model Asset Information Data Entry Sheet

## Block A – Base Data

<b>1</b>	Scottish Water MEAV (non-infrastructure)	£m (3dp)
<b>Full line title</b>	Scottish Water MEAV (non-infrastructure)	
<b>Definition</b>	The net book value of the assets valued on a Modern Equivalent Asset basis. This will be the cost of an asset of equivalent productive capability to satisfy the remaining service potential of the asset, less accumulated current cost depreciation.  This should be in 05-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>2</b>	Infrastructure Renewals Expenditure	£m (3dp)
<b>Full line title</b>	Infrastructure Renewals Expenditure	
<b>Definition</b>	Expenditure incurred in maintaining the existing operating capability of infrastructure assets.  This should be in 05-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>3</b>	Efficiency Target for IR	£m (3dp)
<b>Full line title</b>	Efficiency Target for IR	
<b>Definition</b>	Planned efficiency target (cumulative) for infrastructure renewals in each year  This should be in 05-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>4</b>	Other Investment	£m (3dp)
<b>Full line title</b>	Other investment	
<b>Definition</b>	Planned investment other than infrastructure renewals expenditure  This should be in 05-06 prices	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

**Block B – Planned investment**

<b>6</b>	Efficiency Target for OI	£m (3dp)
<b>Full line title</b>	Efficiency Target for Other Investment	
<b>Definition</b>	Planned efficiency target (cumulative) for other investment in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>7 - 23</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Definition</b>	Planned investment, including maintenance, growth and quality spend, in each asset life category for each year of the review period.  This should be in prices for the stated year, for example, 09-10 investment should be in 09-10 prices.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	



**Block C – Valuation and Depreciation**

<b>22 - 40</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	1 MEAV (non-infrastructure) 2005-06	
<b>Definition</b>	The net book value of the assets valued on a Modern Equivalent Asset basis. This will be the cost of an asset of equivalent productive capability to satisfy the remaining service potential of the asset, less accumulated current cost depreciation.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	2 Asset Cost at 1st April 2006	
<b>Definition</b>	Book value of assets (historic cost minus depreciation), in each life category, as at 1 <sup>st</sup> April 2006	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year – Revaluation Cumulative	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	3 Cost Revaluation in the year 2005-06	
<b>Definition</b>	<p>Increase in the book value of assets (including additions in 2005-06) due to inflation.</p> <p>This should be entered for every asset life category. Cumulative revaluation refers to the total revaluation of existing assets in previous years (excluding 2005-06).</p>	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	4 Depreciation as at 1st April 2006	
<b>Definition</b>	Book value of depreciation as at 1 <sup>st</sup> April 2006 for each asset life category	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	5 Depreciation- Charge in the year 2005-2006	
<b>Definition</b>	Book value of depreciation in 2005-06 for each asset life category	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year – Revaluation Cumulative	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	6 Depreciation Revaluation 2006	
<b>Definition</b>	Increase in the book value of depreciation due to inflation.  This should be entered for every asset life category. Cumulative revaluation refers to the total revaluation of depreciation of existing assets in previous years (excluding 2005-06).	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	7 Depreciation elimination on Disposals 2005-2006	
<b>Definition</b>	Total reduction in depreciation due to the disposal of assets in each asset life category	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>22 - 40</b>	1 year - Infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Column Ref and Title</b>	8 Net Book Value	
<b>Definition</b>	Net book value in current cost terms	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

**Block D – Disposals**

<b>46 - 62</b>	1 year - infinite	£m (3dp)
<b>Full line title</b>	N/a	
<b>Definition</b>	Book value of planned asset disposals in each life category  This should be in prices for the stated year, for example, 09-10 disposals should be in 09-10 prices.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>63</b>	Revaluation Reserve	£m (3dp)
<b>Full line title</b>	Revaluation Reserve	
<b>Definition</b>	Current cost depreciation adjustment to historic cost depreciation charge on assets that have been fully depreciated or disposed of.  This should be in prices for the stated year, for example, 09-10 reserve should be in 09-10 prices.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

### Key Components – Financial Measures

**Table B7.10 - Financial Model Debt Information Data Entry Sheet**

#### Block A – Rate Band

<b>1 - 12</b>	3-3.99% - 14-14.99%	£m (3dp)
<b>Full line title</b>	N/a	
<b>Definition</b>	Closing balance for debt in each interest rate category as at year end 2005-06	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>13</b>	Total Embedded Debt	£m (3dp)
<b>Full line title</b>	Total Embedded Debt	
<b>Definition</b>	Total closing balance for debt	
<b>Processing rules</b>	Calculated field, the sum of lines 1 to 12	
<b>Reference</b>	New	

#### Block B – Embedded Debt due for Repayment

<b>14 - 25</b>	3-3.99% - 14-14.99%	£m (3dp)
<b>Full line title</b>	N/a	
<b>Definition</b>	Embedded debt due for repayment in each band for each financial year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

**Key Components – Financial Measures  
Table B7.7 - Financial Model Income & Expenditure Account**

<b>1</b>	CPI	%
<b>Full line title</b>	CPI	
<b>Definition</b>	Expected consumer price increases in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>2</b>	CPI Index	nr
<b>Full line title</b>	CPI Index	
<b>Definition</b>	Expected level of CPI index each year (base year = 2005-06)	
<b>Processing rules</b>	Calculated field. Previous year line 2 to the power of (1+line 1)	
<b>Reference</b>	New	

<b>3</b>	COPI	%
<b>Full line title</b>	COPI	
<b>Definition</b>	Expected construction output price increases in each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>4</b>	COPI Index	nr
<b>Full line title</b>	COPI Index	
<b>Definition</b>	Expected level of COPI index each year (base year = 2005-06)	
<b>Processing rules</b>	Calculated field. Previous year line 4 to the power of (1+line 3)	
<b>Reference</b>	New	

<b>5</b>	Initial RCV	£
<b>Full line title</b>	Initial RCV	
<b>Definition</b>	Estimate of appropriate regulatory capital value for the year 2005-06	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>6</b>	Public Expenditure Limit	£
<b>Full line title</b>	Public Expenditure Limit	
<b>Definition</b>	Estimate of public expenditure limit applying to Scottish Water	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>7</b>	Real Interest Rate	%
<b>Full line title</b>	Real Interest Rate	
<b>Definition</b>	Estimate of real interest rate (nominal interest rate minus CPI) for each year	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>8</b>	Real Return on Customer Retained Earnings	%
<b>Full line title</b>	Real Return on Customer Retained Earnings	
<b>Definition</b>	Estimate of appropriate return (nominal return minus CPI on customer retained earnings)	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	



<b>9</b>	Debtor Days	nr
<b>Full line title</b>	Debtor Days	
<b>Definition</b>	Year end trade debtors divided by invoiced revenue per annual accounts of the year x number of days in year.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>10</b>	Creditor Days	nr
<b>Full line title</b>	Creditor Days	
<b>Definition</b>	Year end trade creditors divided by invoiced revenue per annual accounts of the year x number of days in year.	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>11</b>	Creditors > 1 year as % of revenue	%
<b>Full line title</b>	Creditors > 1 year as % of revenue	
<b>Definition</b>	Year end trade creditors of greater than one year as a %age of expected revenue	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	

<b>12</b>	Stocks as % of Revenue	%
<b>Full line title</b>	Stocks as % of Revenue	
<b>Definition</b>	Expectation of stock level divided by expected revenue levels	
<b>Processing rules</b>	Input field	
<b>Reference</b>	New	