

Draft PR24 financial model webinar

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Contents

Overview of model	3
Improvements to model	4
Known limitations	5
'Pre' and 'Post' post financeability adjustments	6-7
Openbox version of the model	8
Model Demonstration	9



Overview of model

The PR24 model is an evolution of the PR19 model. The model retains key features from the PR19 model, such as a commitment to using the FAST financial modelling standard.

During the development of the PR24 financial model a version of the model was reconciled to PR19 results.

It is expected that companies will submit a populated version of the financial model with their business plan. Companies should also submit data tables that align with the submitted model.

The primary functions of the model are to calculate allowed revenues, the financial metrics for the financeability assessment and to calculate indicative household bills.



Improvements to model

Notional structure – Inputs and calculations are based on notional approach . No need for a user to follow a notionalisation process.

Worksheets based on model logic, rather than controls – This makes it easier to follow the model logic and to see the combined impact of calculations across wholesale controls.

Tax calculations – the calculation of tax on tax funding has been simplified and now uses a simple geometric uplift using the statutory corporation tax rate.

Pre and Post in the same model – The model contains live calculations that are both 'pre' post financeability adjustments (which is used for the notional financeability assessment) and 'post' post financeability adjustments (which is used to determine final revenue allowances and bill levels).

Input structure – The presence of three scenarios makes it easier for users to carry out sensitivity analysis in the model.

Output tables embedded in model – This makes it easier for users to populate business plan tables or other output documents.

PowerBI table – This will make it easier to carry out bespoke analysis of the results of the model.



Known limitations

Post financeability adjustments – The adjustments in the financial model currently match those in the PR19 model. The list of adjustments will be updated in a future model to match the approach taken in the PR19 reconciliation rulebook.

Bioresources – The approach to bioresources revenue modelling currently follows the approach to revenue used at PR19. We will update the modelling approach used in the final draft of the model.

Outputs – The dashboard and output tables do not link to live calculations in the model. We will link these in the final draft of the model.

Grants and contributions – The grants and contributions lines within the model follow the same logic as in the PR19 financial model. As set out in the consultation document developer services policy is still under review and the model logic may need to change.

'Pre' and 'Post' post financeability adjustments

The financial model produces a range of outputs. These need to show results based on different setups:

- **Revenues and k factors and indicative bills** – these need to be shown after the impact of post financeability adjustments or 'Post'.
- **Financial metrics for financeability** – these need to be shown before the impact of post financeability adjustments or 'Pre'.

At PR19 users needed to switch between the two setups to view the outputs. At PR24 we have incorporated the functionality to show all the required outputs simultaneously under both 'Pre' and 'Post' setups.

The approach we have taken is to build the model on a 'Pre' basis including financial statements for financial metrics.

The revenue adjustments for post financeability adjustments are then calculated and added to the appropriate blocks for revenues, k factors and bills.



'Pre' and 'post' post financeability adjustments – Tax

The nature and scale of post financeability adjustments could mean that a non tax paying company becomes tax paying and vice versa.

To calculate the correct tax adjustment the model calculates the change in debt and subsequent interest associated with the post financeability adjustment. Any changes in debt are also split between fixed and index linked debt. This is done on the 'PrePost impacts' worksheet.

These interest adjustments then feed into a second 'Post' tax calculation alongside the revenue after post financeability adjustments to find the 'Post' tax revenue.

The change between the 'Pre' tax and the 'Post' tax is then included in the final revenue adjustment for post financeability.

The assessment of financial ratios for the financeability assessment are on the 'pre' basis with allowed revenues set on the 'post' basis



Openbox version of model

Model has been developed using the Openbox modelling software. Openbox provides a model structuring layer on top of Excel designed to:

- Help modellers build the model more quickly
- Reduce errors during the model build
- Helps users to find their way around the model

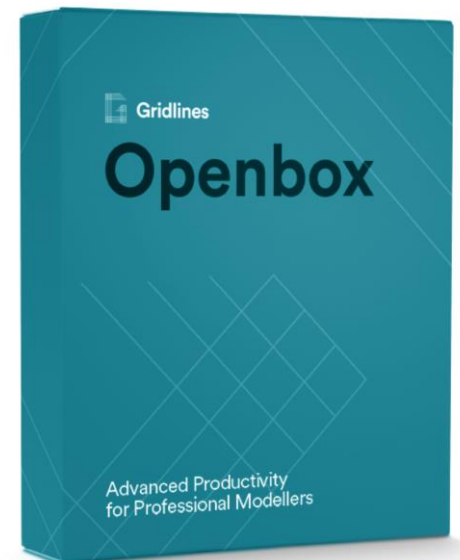
Openbox can always produce a spreadsheet – so users do not need Openbox to read the model.

Openbox version of financial model has been published for transparency and because the ‘focus’ view in Openbox aids users in understanding the model.

Unlicensed version of the software allows files to be read.
Full licence allows files to be edited.

More details are available from:

<https://www.openboxmodels.com/>



The background features a large, solid blue shape on the left side, which is a semi-circle or quarter-circle. To its right, there are several overlapping, semi-transparent light blue shapes, including a circle and a larger, more complex shape. The overall aesthetic is clean and modern.

Model Demonstration

Thank you and questions



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