STATUTORY INSTRUMENTS

1986 No. 1952

WATER, ENGLAND AND WALES

The Water Authorities (Return on Assets) Order 1986

Made - - - -	18*th November* 1986
Laid before Parliament	24*th November* 1986
Coming into Operation	15*th December* 1986

The Secretary of State, with the approval of the Treasury, in exercise of the powers conferred on him by section 29(2)(*a*) of the Water Act 1973 (**a**), and of all other powers enabling him in that behalf, hereby makes the following order:—

Title, commencement and application

1.—(1) This order may be cited as the Water Authorities (Return on Assets) Order 1986 and shall come into operation on 15th December 1986.

(2) This order applies to the water authorities of England and Wales.

Current cost accounting

2. In determining for the purposes of this order the value of a water authority's net assets and its current cost operating profit, the authority shall have regard to the guidance about current cost accounting contained in the publication entitled "Statement of Standard Accounting Practice No. 16" issued by the bodies represented on the Consultative Committee of Accountancy Bodies in March 1980.

Definition of "the value of their net assets" for the purposes of section 29 of the Act

3. In relation to any water authority "the value of their net assets" is defined, for the purposes of section 29 of the Water Act 1973, as the mean between the total net value, at current cost, of the assets held by the authority for the purposes of their functions (other than functions relating to land drainage) on 1st April 1987 and of the assets so held on 31st March 1988.

Return on value of net assets

4.—(1) In this article, in relation to any water authority—

"their 1987 balance" means the amount by which that authority's 1987 achievement, as defined in the Water Authorities (Return on Assets) (No. 2) Order 1985 (**b**), exceeded or fell short of the rate of return specified for that authority in the Schedule to the said order; and "their 1988 achievement" means the aggregate of—

(a) their 1987 balance,

(b) the current cost operating profit of the authority earned for the

(**a**) 1973 c.37; section 29(2)(*a*) was amended by section 11(3) of, and Schedule 5 to, the Water Act 1983 (c.23).

(**b**) S.I. 1985/1805.

financial year 1987–88 from the authority's functions other than functions relating to land drainage, and

(c) any amount transferred to their appropriation account in respect of that year from any tariff equalisation fund maintained by the authority.

(2) The rate per cent. shown in relation to any water authority in the Schedule to this order is specified as the rate of return on the value of their net assets which the Secretary of State considers it reasonable for that authority to achieve in respect of the financial year 1987–88 (in this article referred to as "the specified rate for 1988").

(3) It is hereby directed that during the financial year 1987–88 each water authority shall discharge their functions with a view to securing that their 1988 achievement expressed as a percentage of the value of their net assets is not less than the specified rate for 1988.

SCHEDULE

Article 4(2)

SPECIFIED RATE OF RETURN ON VALUE OF NET ASSETS IN RESPECT OF THE YEAR 1987–88

Water Authority	Rate of Return
	per cent.
Anglian Water Authority	2.10
Northumbrian Water Authority	2.05
North West Water Authority	1.75
Severn-Trent Water Authority	1.95
Southern Water Authority	1.75
South West Water Authority	1.95
Thames Water Authority	1.85
Welsh Water Authority	1.95
Wessex Water Authority	1.75
Yorkshire Water Authority	1.70

Nicholas Ridley,
Secretary of State for the Environment.

18th November 1986.

Nicholas Edwards,
Secretary of State for Wales.

18th November 1986.

We approve the making of this order,

Mark Lennox-Boyd,
Michael Neubert,
Two of the Lords Commissioners of
Her Majesty's Treasury.

18th November 1986.

EXPLANATORY NOTE

(This note is not part of the order.)

This order gives directions to the water authorities. It specifies the rate of return on the value of their net assets which the Secretary of State considers each water authority can reasonably achieve for the financial year 1987–88; and directs authorities to discharge their functions with a view to achieving a rate no lower than that rate.

The publication entitled "Statement of Standard Accounting Practice No. 16", which is mentioned in article 2 of the order, is obtainable from the Institute of Chartered Accountants in England and Wales, Silbury Boulevard, Witan Gate East, Central Milton Keynes, Buckinghamshire MK9 2HL.