

1987 No. 2022

**WATER, ENGLAND AND WALES**

**The Water Authorities (Return on Assets) Order 1987**

<i>Made</i> - - - -	<i>26th November 1987</i>
<i>Laid before Parliament</i>	<i>2nd December 1987</i>
<i>Coming into force</i>	<i>23rd December 1987</i>

The Secretary of State for the Environment in respect of all water authorities except the Welsh Water Authority, and the Secretary of State for Wales in respect of the Welsh Water Authority, with the approval of the Treasury, in exercise of the powers conferred on them by section 29(2)(a) of the Water Act 1973(a), and of all other powers enabling them in that behalf, hereby make the following Order:

**Title, commencement and application**

1.—(1) This Order may be cited as the Water Authorities (Return on Assets) Order 1987 and shall come into force on 23rd December 1987.

(2) This Order applies to all 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 1988 and of the assets so held on 31st March 1989.

**Return on value of net assets**

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

"their 1988 balance" means the amount by which that authority's 1988 achievement, as defined in the Water Authorities (Return on Assets) Order 1986(b), exceeded or fell short of the rate of return specified for that authority in the Schedule to the said Order; and

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(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. 1986/1952.

“their 1989 achievement” means the aggregate of –

- (a) their 1988 balance, or 0.2 per cent. of the value of their net assets, whichever is the lesser amount,
- (b) the current cost operating profit of the authority earned for the financial year 1988–89 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 1988–89 (in this article referred to as “the specified rate for 1989”).

(3) It is hereby directed that during the financial year 1988–89 each water authority shall discharge their functions with a view to securing that their 1989 achievement expressed as a percentage of the value of their net assets is not less than the specified rate for 1989.

26th November 1987

*Nicholas Ridley*  
Secretary of State for the Environment

26th November 1987

*Peter Walker*  
Secretary of State for Wales

We approve the making of this Order,

26th November 1987

*Tony Durant*  
*David Lightbrown*  
Two of the Lords Commissioners of Her Majesty’s Treasury

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## SCHEDULE

Article 4(2)

### SPECIFIED RATE OF RETURN ON VALUE OF NET ASSETS IN RESPECT OF THE YEAR 1988–89

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<i>Water Authority</i>	<i>Rate of Return</i>
	per cent.
Anglian Water Authority	2.70
Northumbrian Water Authority	2.45
North West Water Authority	2.30
Severn-Trent Water Authority	2.45
Southern Water Authority	2.20
South West Water Authority	2.35
Thames Water Authority	1.85
Welsh Water Authority	2.35
Wessex Water Authority	2.20
Yorkshire Water Authority	1.85

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## 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 1988-89; 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 Manager (Publications Despatch), Institute of Chartered Accountants in England and Wales, 399 Silbury Boulevard, Milton Keynes, Buckinghamshire, MK9 2HL.