



# Change Control Notification

31 March 2024



**BT Group**



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# Section One

## Introduction to the Change Control Notification

## Section 1.1 Introduction

The legal conditions and directions pursuant to which we are releasing this Change Control Notification (CCN) are:

- Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021 - 2026, condition 11.28; and
- Wholesale Voice Markets Review, condition 8.28.

This CCN:

- details all methodology changes that were implemented between the Regulatory Financial Statements (RFS) for the year ended 31 March 2023 and the RFS due to be published for the year ended 31 March 2024;
- is not a replacement for, nor should it be regarded as an alternative to, the published RFS for the year ended 31 March 2023;
- has not been audited;
- should be read in conjunction with our FY23 Accounting Methodology Documentation (AMD), dated 31 July 2023, to ensure that all abbreviations, cost estimations and allocations, and descriptions are understood; and
- has been prepared under the conditions and frameworks set out in section two - 'Basis of Preparation' of the RFS for the year ended 31 March 2023.

## Section 1.2 Overall structure of the report

A description of each section is provided below:

- Section two provides an explanation of the reported methodology changes, including a description of each change and the reasons for implementing each change;
- Section three provides the estimated impact of methodology changes at market level. It sets out the figures published in the RFS for the year ended 31 March 2023, alongside the impacts of methodology changes implemented in FY24, to present these figures restated to reflect if such methodology changes had been implemented during FY23;
- Appendix one includes Ofcom's template for the CCN; and
- The glossary defines the acronyms used in this CCN.

# Section Two

## Explanation of changes to the Regulatory Accounting Methodology

## Section 2.1 Explanation of changes to the Regulatory Accounting Methodology

This section sets out changes that we have implemented to the regulatory accounting methodologies used to prepare the FY24 RFS. We have categorised the changes as follows:

- **Section 2.2** Changes driven by Ofcom’s legal directions
- **Section 2.3** BT driven changes.

## Section 2.2 Explanation of changes driven by Ofcom’s legal directions

In March 2021 Ofcom published their final statements, covering the period from 1 April 2021 to 31 March 2026, for:

- ‘Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-2026’ (WFTMR)<sup>1</sup>; and
- ‘Wholesale Voice Markets Review 2021-2026’ (WVMR)<sup>2</sup>.

There are no methodology changes implemented to comply with the changes to Ofcom’s legal conditions and directions in the FY24 RFS.

## Section 2.3 Explanation of BT driven changes

This section contains details of the nineteen BT discretionary changes implemented, in line with the format prescribed in appendix one:

- **Section 2.3.1** Decapitalisation of FTTX CoW
- **Section 2.3.2** Improvement of CCA methodology
- **Section 2.3.3** Changes to decapitalisation of tie cables
- **Section 2.3.4** Cumulo allocation
- **Section 2.3.5** Changes to TRC, AVC, SFI and SFVA data
- **Section 2.3.6** Automation of Physical Infrastructure (PI) returns
- **Section 2.3.7** Changes to General Ledger (GL) account and Class of work (CoW) data inputs
- **Section 2.3.8** Change to Cumulo and Ofcom licence fee data
- **Section 2.3.9** Allocation of sales and product management costs
- **Section 2.3.10** Removal of Part Services
- **Section 2.3.11** Removal of internal revenue for Rest of BT
- **Section 2.3.12** Optical cables discounts
- **Section 2.3.13** Mapping of PI SLGs to the PI market
- **Section 2.3.14** Improvement of GEA Electronics allocation
- **Section 2.3.15** Allocation of Protect BT costs
- **Section 2.3.16** Change to presentation of specific items
- **Section 2.3.17** Transfer of fixed assets register data to SAP
- **Section 2.3.18** Changes to capitalised pay and fixed asset register
- **Section 2.3.19** Removal of adjustment to internal/external cost categorisation

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<sup>1</sup> [WFTMR statement – volume 7, Legal instrument](#)

<sup>2</sup> [WVMR statement – annex 5, Legal instrument](#)

### Section 2.3.1 Decapitalisation of FTTX Class of Work (CoW)

Type	Change in valuation basis
Key driver for change	More consistent with regulatory decisions
Trigger for change	BT judgement
Description of change	As part of the Objectivity principle, from the Regulatory Accounting Principles, it states 'where costs are recovered from upfront revenues, they must not be capitalised and attributed to rental services'. We have historically decapitalised all costs on the FTTX CoW, however as the mix of provisions has shifted towards FTTP which are typically more expensive to provide we identified that the capitalised costs exceeded the relevant connections revenue. We have therefore limited the decapitalisation to the value of the connection revenues received.
Effect of change	Reduction to operating costs and an increase in Mean Capital Employed (MCE) in WLA markets, primarily impacting FTTP Connections services.
Support for change	Operating costs have been matched to the amount recovered from upfront revenues, consistent with Ofcom directions.
Key changes in accounting documents	The AMD attribution methodologies dictionary will be updated as follows: <ul style="list-style-type: none"> <li>Section 5.1 Journals – ‘Decapitalisation of FTTX Customer Premises Provision’ – Calculation steps will be updated.</li> </ul>

### Section 2.3.2 Improvement of CCA methodology

Type	Other
Key driver for change	More consistent
Trigger for change	BT judgement
Description of change	<p>We conduct an annual review of network asset classes of work (CoW) to check the valuation method is still appropriate. The following criteria are used in the AMD to identify assets where CCA is no longer required:</p> <p><i>“The network assets:</i></p> <ul style="list-style-type: none"> <li><i>have a relatively low value</i></li> <li><i>have a short asset life and only modest price movements have been observed</i></li> <li><i>are virtually fully depreciated</i></li> <li><i>have been recently acquired (so the current and historical costs are similar) or where</i></li> <li><i>attribution to regulated markets is immaterial. There will be little impact on the RFS as a result of the differences between their historical and current replacement cost. Therefore, these assets will be valued at their historical cost.”</i></li> </ul> <p>We therefore intend to no longer apply CCA to the following CoWs: TPC, ACPN, CJF and LDX.</p> <p>We have also rebuilt our CCA calculations to ensure consistency across CoWs.</p>

<b>Effect of change</b>	A decrease in costs in the Physical Infrastructure market with increases in costs primarily in the WLA market offset by the eliminations of the Attribution of PI costs. A MCE reduction that predominantly impacts the WLA markets with further reductions in MCE primarily in the Non-SMP and Physical Infrastructure markets.
<b>Support for change</b>	This is more consistent as a result of a simplified and robust CCA process that will improve the consistency of our reporting.
<b>Key changes in accounting documents</b>	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>• Section 7 – ‘CCA valuation methodologies’, ‘Index Historic’ and ‘Regulatory asset value’ sections will be updated;</li> <li>• Section 7 – ‘Extrapolated absolute valuation’ section will be removed;</li> <li>• Annex 5 – ‘CCA valuation’ will be updated.</li> </ul>

### Section 2.3.3 Changes to decapitalisation of tie cabling

<b>Type</b>	Other
<b>Key driver for change</b>	More accurate
<b>Trigger for change</b>	Change to data source
<b>Description of change</b>	We will change our data sources used to identify and decapitalise tie cable labour costs.
<b>Effect of change</b>	There will be a cost and MCE increase in the WLA market. Software MCE in LLA will also decrease.
<b>Support for change</b>	The change more accurately identifies tie cables labour costs.
<b>Key changes in accounting documents</b>	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>• Section 5.1 'Journals' – ‘Data sources’ and ‘Calculation Steps’ for ‘Decapitalisation of WLA Tie Cables ‘ will be updated;</li> <li>• Section 5.2 'Attribution Bases' – ‘Calculation Steps’ for PDTLMC-Q will be updated.</li> </ul>

### Section 2.3.4 Cumulo allocation

<b>Type</b>	Change in allocation basis
<b>Key driver for change</b>	More cost causal
<b>Trigger for change</b>	BT judgement
<b>Description of change</b>	We have updated our cumulo methodology to remove unnecessary complexity. We have removed the NGA-specific allocation pathway and now just consider Openreach and BT Wholesale.



<b>Effect of change</b>	There is a movement of Property and Energy costs away from WLA markets into LLA and non-SMP.
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<b>Support for change</b>	The new methodology applies cumulo cost allocation consistently across all services.
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<b>Key changes in accounting documents</b>	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>• Section 5.2 ‘Attribution bases’ – ‘Overview’, ‘Description’, ‘Data Sources’ and ‘Calculation steps’ for CUMNORM-W;</li> <li>• Section 5.5 ‘Plant groups’ – ‘Title’ and ‘Description’ for PG942A and PG943A will be updated;</li> <li>• Section 5.5 ‘Plant groups’ – PG941A will be removed;</li> <li>• Section 5.6 ‘Components’ – Sub-component name, ‘Description’ and ‘Calculation steps’ for CL942 and CL943 will be updated;</li> <li>• Section 5.6 ‘Components’ – CL941 will be removed;</li> <li>• The published component SC_CL943 will be renamed from Cumulo Non NGA OR to Cumulo OR;</li> <li>• Annex two: Network Lists and Component Diagrams – SC_CL941 will be removed from the Network List and WLA – Fibre (FTTP) Network Diagram</li> </ul>
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### Section 2.3.5 Changes to TRC, AVC, SFI and SFVA data

<b>Type</b>	Other
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<b>Key driver for change</b>	More consistent
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<b>Trigger for change</b>	Changes in available evidence
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<b>Description of change</b>	<p>After reviewing the methodologies used to allocate costs to AVC, SFI, TRC and NGA SFVA services we will make changes to improve the accuracy of the calculations and ensure consistency across the various attribution rules:</p> <ul style="list-style-type: none"> <li>• Improve accuracy of attribution bases by changing the hours data source from billing to operational data.</li> <li>• Calculate the total AVC, SFI, TRC and NGA SFVA costs based on these hours and the hourly rate.</li> </ul>
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<b>Effect of change</b>	There are cost reductions in WLA Area 2 and Area 3 and cost increases in LLA Area 2 and Non-SMP .
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<b>Support for change</b>	The change will improve the consistency of our reporting because we are using a more appropriate data source.
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<b>Key changes in accounting documents</b>	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>• Section 5.2 'Attribution Bases'- 'Calculation Steps' will be updated for PDTCORES-Q, PDTMDF-Q, PDTMDSL-Q, PDTMG-Q, PDTORSFI-Q, PDTUDL-Q and PDTUEL-Q;</li> <li>• Section 5.2 ‘Attribution Bases’ – a new entry will be created for PDTMISC-Q, PDTFTTCR-Q and PDTFTTPR-Q will be added.</li> </ul>
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### Section 2.3.6 Automation of Physical Infrastructure (PI) returns

Type	Other
Key driver for change	More consistent
Trigger for change	BT judgement
Description of change	Returns for the Physical Infrastructure market are now automatically calculated to 7% using the Regulatory Accounting System.
Effect of change	Returns for services in the PI market will now be automatically 7% in aggregate.
Support for change	The outcome will remain in line with Ofcom directions.
Key changes in accounting documents	No change required.

### Section 2.3.7 Change to General Ledger (GL) account and Class of Work (CoW) data inputs

Type	Change in source data
Key driver for change	More consistent
Trigger for change	Changes in available evidence
Description of change	<p>GL and CoW data are key inputs used in the RFS preparation. In previous years, this information was extracted from the Oracle Data Centre (ODC) finance system, which has now been decommissioned.</p> <p>For FY24 onwards, GL and CoW data will be obtained from SAP and we will update our methodology to reflect this.</p>
Effect of change	GL and CoW information will be obtained directly from SAP. This change is effective from 1 <sup>st</sup> April 2023 so there is no impact on prior year figures.
Support for change	The data source is no longer available.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>Appendix six - references to 'ODC' will be removed from the 'Data source summary' and 'Data sources'.</li> </ul>

### Section 2.3.8 Change to Cumulo and Ofcom licence fee data

Type	Change in allocation basis
Key driver for change	More consistent
Trigger for change	BT judgement
Description of change	The allocation of Cumulo and Ofcom licence fees were previously calculated using the current year results by running the regulatory models twice. Instead, we will calculate the Cumulo and Ofcom licence fee allocations based on the latest available information.
Effect of change	There will be no material impact at a market level or service level.
Support for change	This change will remove the requirement for circular calculations, reducing risk of errors.
Key changes in accounting documents	No change required.

### Section 2.3.9 Allocation of sales and product management costs

Type	Change in allocation basis
Key driver for change	More cost causal
Trigger for change	BT judgement
Description of change	<p>FTTP services sales and product management cost has been previously allocated in line with their total revenue. This was not reflective of the time employees in the associated cost centres spent selling and managing FTTP services.</p> <p>We will apply an intermediate calculation step based on connections revenues to ensure that the costs allocated to FTTP, FTTC and SOGEA services are more accurate.</p>
Effect of change	No material impact at a market level. At a service level there will be increases in allocations to FTTP and external PI.
Support for change	The new methodology applies sales and product management cost allocation consistently across services.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>Section 5.6 'Components' – 'Calculation steps' for CP502 will be updated.</li> </ul>

### Section 2.3.10 Removal of Part Services

Type	Other
Key driver for change	More consistent
Trigger for change	BT judgement
Description of change	Removal of the Part Services allocation layer, within the Regulatory Accounting Software, as this is no longer a regulatory requirement.
Effect of change	There will be no material impacts at a market or service level.
Support for change	Part Services add unnecessary complexity to the production of the Regulatory Financial Statements and are not required since the de-regulation of the associated markets. Removing this layer enables us to simplify our processes, without impacting cost allocations.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>Section 4.1 'Regulatory Accounting System' – CostPerform Layer diagram will be updated to remove the P/Services Layer.</li> </ul>

### Section 2.3.11 Removal of internal revenue for Rest of BT

Type	Other
Key driver for change	More consistent with regulatory decisions
Trigger for change	BT judgement
Description of change	We will remove our methodology for generating internal revenue and cost within Rest of BT, along with the subsequent elimination.
Effect of change	There will be a reduction in internal revenue recognised in Rest of BT and an equal reduction in elimination.
Support for change	There is no longer a direction related to this methodology and this change does not impact total cost or revenue recognised within SMP markets.
Key changes in accounting documents	No change required.

### Section 2.3.12 Optical cables discounts

Type	Other
Key driver for change	More accurate
Trigger for change	Changes in available evidence
Description of change	Revenue data provided for optical spectrum services is inclusive of discounts. Therefore, we will remove the historic discounts methodology as the adjustments are no longer required.
Effect of change	There will be an increase in ethernet revenues impacting ‘Optical Services’.
Support for change	This change will improve the accuracy of our reporting.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>Section 5.7 ‘Revenue’ – ‘Calculation steps’ for ‘Access and inter exchange markets’ will be updated to remove the discount adjustment.</li> </ul>

### Section 2.3.13 Mapping of PI SLGs to the PI market

Type	Other
Key driver for change	More cost causal
Trigger for change	Other
Description of change	We will update our methodology for service level guarantees (SLGs) in the PI market to align to existing SLG allocations in other RFS markets.
Effect of change	There will be no material impact at a market or service level.
Support for change	The change will improve the accuracy of our reporting and ensure consistency between SLG allocations.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>Section 5.2 ‘Attribution bases’ – ‘Calculation steps’ will be updated for SLGALL;</li> <li>Section 5.6 ‘Components’ – a new entry will be created for component CL456.</li> </ul>

### Section 2.3.14 Improvement to GEA electronics allocation

Type	Change in allocation basis
Key driver for change	More cost causal
Trigger for change	BT judgement
Description of change	Previously GEA allocations were calculated on an estimate of total headend card and shelf costs. We will update our methodology to calculate the GEA Electronics allocation based on headend card volumes as these are the equipment specific to FTTC or FTTP services.
Effect of change	There will be no material impact at a market or service level.
Support for change	The new methodology applies GEA electronic allocation consistently across specific services.
Key changes in accounting documents	The AMD attribution methodologies dictionary will be updated as follows: <ul style="list-style-type: none"> <li>Section 5.5 'Plant Groups' – 'Overview', 'Description' and 'Calculation steps' will be updated for PG952C.</li> </ul>

### Section 2.3.15 Allocation of Protect BT costs

Type	Change in allocation basis
Key driver for change	More consistent
Trigger for change	Changes in available evidence
Description of change	Protect BT costs are now separately reported in SAP and can therefore be directly allocated to activity group AG118 removing the requirement for the BTPROTECT base.
Effect of change	There will be no material impact at a market or service level.
Support for change	In FY24, the Protect BT team moved divisions under a reorganisation. As such, this is more consistent as the Protect BT costs come from Networks Profit Centres and Cost Centres.
Key changes in accounting documents	The AMD attribution methodologies dictionary will be updated as follows: <ul style="list-style-type: none"> <li>All references to 'BT PROTECT – J503' will be removed.</li> </ul>

### Section 2.3.16 Change to presentation of 'specific items'

Type	Other
Key driver for change	More consistent
Trigger for change	BT judgement
Description of change	We will update our methodology to allow us to more easily separate out the Specific Items balance which is presented in the 'Attribution of Operating Costs' table, in line with WFTMR and WVMR reporting requirements.
Effect of change	The total Specific Items balance will be removed from 'Operating costs before depreciation' and will now be presented within 'Total HCA operating costs'.
Support for change	This change will simplify our reporting.
Key changes in accounting documents	The RFS 'Attribution of operating costs' schedule will be updated to align to the new format set out above.

### Section 2.3.17 Transfer of fixed assets register data to SAP

Type	Change in data source
Key driver for change	More consistent
Trigger for change	Changes in available evidence
Description of change	SAP will be replacing one of the finance systems previously used to extract fixed assets data.
Effect of change	Data input changes to be taken directly from SAP. Underlying data is unchanged and will be sourced from the new system.
Support for change	This will ensure consistency of information used to produce the RFS. The opening balances from the new system have been reconciled to the closing balances from the old systems to ensure complete and successful migration.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>References to legacy data sources will be updated to reflect new data sources.</li> </ul>

### Section 2.3.18 Changes to capitalised pay and fixed asset register

Type	Change in data source
Key driver for change	More consistent
Trigger for change	Changes in available evidence
Description of change	<p>The methodology used to identify capitalised pay costs has changed. Previously capitalised pay costs were recorded on separate general ledger accounts. From 1<sup>st</sup> April 2023 onwards capitalised pay costs are captured on a single general ledger account, with an additional reporting solution available to enable capitalised pay to be separately identified from other capitalised costs.</p> <p>We will update our methodology to use this new reporting solution as our data source.</p>
Effect of change	There will be no impacts to FY23 balances as this change is effective from 1st April 2023.
Support for change	The previous data source is no longer available.
Key changes in accounting documents	No change required.

### Section 2.3.19 Removal of adjustment to internal/external cost categorisation

Type	Other
Key driver for change	More consistent
Trigger for change	Other
Description of change	In prior years, a journal was posted to the general ledger to recategorise certain costs from internal to external and this journal was reversed in the RFS. From FY24 the original recategorisation journal is no longer being posted and so the reversal in the RFS is not required.
Effect of change	There will be no impact at market or service level.
Support for change	The change will improve the consistency of our reporting.
Key changes in accounting documents	<p>The AMD attribution methodologies dictionary will be updated as follows:</p> <ul style="list-style-type: none"> <li>Section 5.1 'Journals' - 'Reversal of software capitalisation' will be removed</li> </ul>



# Section Three

## Impacts of methodology changes to Markets

## Section 3.1 Impacts of methodology changes to Markets

This section provides the estimated impact of the changes to methodologies explained in:

- **Section 2.2** Changes driven by Ofcom’s legal directions; and
- **Section 2.3** BT driven changes.

Tables which show the estimated impact of restating published FY23 RFS figures for each methodology change are presented in the following sections:

- **Section 3.1.1** Revenue
- **Section 3.1.2** CCA operating cost
- **Section 3.1.3** MCE
- **Section 3.1.4** Return

The estimated impact of all methodology changes has been reported in tables within sections 3.1.1, 3.1.2, 3.1.3 and 3.1.4. These tables set out the FY23 figures, alongside the impacts of all methodology changes implemented in FY24, to present these figures restated to reflect if such methodology changes had been implemented during FY23

### Section 3.1.1 Impacts of methodology changes to FY23 published RFS revenue<sup>3</sup>

The table below sets out the estimated impact each change has to the FY23 published RFS revenue figures (£m), at Market level.

CCN Section	Openreach													Rest of BT	BT Group		
	Physical Infrastructure	WLA Area 2	WLA Area 3	LLA Area 2	LLA Area 3	LLA High network reach	IEC BT only exchanges	IEC BT +1 exchanges	Shared ancillaries	Total SMP	Total Non-SMP	Eliminations	Total Openreach	Total Rest of BT	Eliminations	Rounding	Total Markets
<b>FY23 Published RFS revenue</b>	(27)	1,900	1,050	471	260	40	121	69	146	4,030	1,604	38	5,672	19,720	(4,711)	1	20,682
<b>BT driven changes</b>																	
Decapitalisation of FTTX CoW	2.3.1	2	-	-	-	-	-	-	-	2	-	(2)	-	-	-	-	-
Improvement of CCA methodology	2.3.2	(15)	-	-	-	-	-	-	-	(15)	-	15	-	1	(1)	-	-
Changes to decapitalisation of tie cables	2.3.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulo allocation	2.3.4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes to TRC, AVC, SFI and SFVA data	2.3.5	(1)	-	-	-	-	-	-	-	(1)	-	1	-	-	-	-	-
Automation of PI returns	2.3.6	1	-	-	-	-	-	-	-	1	-	(1)	-	-	-	-	-
Change to GL account and CoW data inputs	2.3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to Cumulo and Ofcom licence fee data	2.3.8	-	-	-	-	-	-	-	-	-	2	-	2	(2)	-	-	-
Allocation of sales and product management costs	2.3.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of Part Services	2.3.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of internal revenue for Rest of BT	2.3.11	-	-	-	-	-	-	-	-	-	-	-	-	(1,611)	1,611	-	-
Optical cables discounts	2.3.12	-	-	-	7	4	-	6	5	22	(22)	-	-	(18)	18	-	-
Mapping of PI SLGs to the PI market	2.3.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Improvement of GEA Electronics allocation	2.3.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Protect BT costs	2.3.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to presentation of specific Items	2.3.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of fixed assets register data to SAP	2.3.17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes to capitalised pay and fixed asset register	2.3.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of adjustment to internal/external cost categorisation	2.3.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total effect of BT driven methodology changes</b>	(13)	-	-	7	4	-	6	5	-	9	(20)	13	2	(1,630)	1,628	-	-
<b>Total effect of all methodology changes</b>	(13)	-	-	7	4	-	6	5	-	9	(20)	13	2	(1,630)	1,628	-	-
<b>FY23 RFS figures reflecting all methodology changes</b>	(40)	1,900	1,050	478	264	40	127	74	146	4,039	1,584	51	5,674	18,090	(3,083)	1	20,682

<sup>3</sup> The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

### Section 3.1.2 Impacts of methodology changes to FY23 published RFS CCA operating cost<sup>4</sup>

The table below sets out the estimated impact each change has to the FY23 published RFS CCA operating cost figures (£m), at Market level.

CCN Section	Openreach										Rest of BT		BT Group				
	Physical Infrastructure	WLA Area 2	WLA Area 3	LLA Area 2	LLA Area 3	LLA High network reach	IEC BT only exchanges	IEC BT +1 exchanges	Shared ancillaries	Total SMP	Total Non-SMP	Eliminations	Total Openreach	Total Rest of BT	Eliminations	Rounding	Total Markets
<b>FY23 Published RFS cost</b>	(469)	1,505	795	325	156	30	39	30	98	2,509	794	38	3,341	18,668	(4,769)	(1)	17,239
<b>BT driven changes</b>																	
Decapitalisation of FTTX CoW	2.3.1	2	(105)	(43)	4	2	-	-	-	(140)	10	(2)	(132)	5	(1)	-	(128)
Improvement of CCA methodology	2.3.2	(14)	6	3	1	1	-	1	-	(1)	2	15	16	1	(2)	-	15
Changes to decapitalisation of tie cables	2.3.3	-	2	2	-	-	-	-	-	4	-	-	4	-	-	-	4
Cumulo allocation	2.3.4	-	(22)	(13)	5	3	-	1	-	(26)	15	-	(11)	11	-	-	-
Changes to TRC, AVC, SFI and SFVA data	2.3.5	(1)	(8)	(4)	2	1	-	-	-	(10)	1	1	(8)	8	-	-	-
Automation of PI returns	2.3.6	-	-	-	-	-	-	-	-	-	1	(1)	-	-	-	-	-
Change to GL account and CoW data inputs	2.3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to Cumulo and Ofcom licence fee data	2.3.8	-	6	(3)	(1)	(1)	-	-	-	1	(1)	-	-	-	-	-	-
Allocation of sales and product management costs	2.3.9	1	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of Part Services	2.3.10	-	-	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-
Removal of internal revenue for Rest of BT	2.3.11	-	-	-	-	-	-	-	-	-	-	-	-	(1,611)	1,611	-	-
Optical cables discounts	2.3.12	-	-	-	-	-	-	-	-	-	-	-	-	(17)	17	-	-
Mapping of PI SLGs to the PI market	2.3.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Improvement of GEA Electronics allocation	2.3.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Protect BT costs	2.3.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to presentation of specific Items	2.3.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of fixed assets register data to SAP	2.3.17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes to capitalised pay and fixed asset register	2.3.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of adjustment to internal/external cost categorisation	2.3.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total effect of BT driven methodology changes</b>		(12)	(122)	(58)	11	6	-	2	-	(172)	28	13	(131)	(1,604)	1,626	-	(109)
<b>Total effect of all methodology changes</b>		(12)	(122)	(58)	11	6	-	2	-	(172)	28	13	(131)	(1,604)	1,626	-	(109)
<b>FY23 RFS figures reflecting all methodology changes</b>		(481)	1,383	737	336	162	30	41	30	2,337	822	51	3,210	17,064	(3,143)	(1)	17,130

<sup>4</sup> The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

### Section 3.1.3 Impacts of methodology changes to FY23 published RFS MCE<sup>5</sup>

The table below sets out the estimated impact each change has to the FY23 published RFS MCE figures (£m), at Market level.

CCN Section	Openreach													Rest of BT	BT Group		
	Physical Infrastructure	WLA Area 2	WLA Area 3	LLA Area 2	LLA Area 3	LLA High network reach	IEC BT only exchanges	IEC BT +1 exchanges	Shared ancillaries	Total SMP	Total Non-SMP	Eliminations	Total Openreach	Total Rest of BT	Eliminations	Rounding	Total Markets
<b>FY23 Published RFS MCE</b>	<b>6,326</b>	<b>4,465</b>	<b>2,725</b>	<b>1,013</b>	<b>483</b>	<b>90</b>	<b>86</b>	<b>65</b>	<b>168</b>	<b>15,421</b>	<b>2,689</b>	<b>-</b>	<b>18,110</b>	<b>21,756</b>	<b>(124)</b>	<b>(2)</b>	<b>39,740</b>
<b>BT driven changes</b>																	
Decapitalisation of FTTX CoW	2.3.1	-	32	15	2	1	-	-	-	50	(1)	-	49	13	-	-	62
Improvement of CCA methodology	2.3.2	(11)	(18)	(12)	(5)	(5)	-	(4)	(2)	(4)	(61)	(23)	(84)	(41)	6	-	(119)
Changes to decapitalisation of tie cables	2.3.3	-	12	4	(1)	-	-	-	-	15	22	-	37	(3)	(1)	-	33
Cumulo allocation	2.3.4	-	(6)	(3)	1	1	-	-	-	(7)	3	-	(4)	2	-	-	(2)
Changes to TRC, AVC, SFI and SFVA data	2.3.5	-	(1)	-	-	-	-	-	-	(1)	1	-	-	-	-	-	-
Automation of PI returns	2.3.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to GL account and CoW data inputs	2.3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to Cumulo and Ofcom licence fee data	2.3.8	-	1	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of sales and product management costs	2.3.9	(9)	7	2	2	1	-	(3)	(2)	(2)	1	-	(1)	-	-	-	(1)
Removal of Part Services	2.3.10	-	1	1	-	-	-	-	-	2	(2)	-	-	(2)	2	-	-
Removal of internal revenue for Rest of BT	2.3.11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Optical cables discounts	2.3.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mapping of PI SLGs to the PI market	2.3.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Improvement of GEA Electronics allocation	2.3.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Allocation of Protect BT costs	2.3.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change to presentation of specific Items	2.3.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer of fixed assets register data to SAP	2.3.17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes to capitalised pay and fixed asset register	2.3.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of adjustment to internal/external cost categorisation	2.3.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total effect of BT driven methodology changes</b>		<b>(20)</b>	<b>28</b>	<b>6</b>	<b>(1)</b>	<b>(2)</b>	<b>-</b>	<b>(7)</b>	<b>(4)</b>	<b>(4)</b>	<b>1</b>	<b>-</b>	<b>(3)</b>	<b>(31)</b>	<b>7</b>	<b>-</b>	<b>(27)</b>
<b>Total effect of all methodology changes</b>		<b>(20)</b>	<b>28</b>	<b>6</b>	<b>(1)</b>	<b>(2)</b>	<b>-</b>	<b>(7)</b>	<b>(4)</b>	<b>(4)</b>	<b>1</b>	<b>-</b>	<b>(3)</b>	<b>(31)</b>	<b>7</b>	<b>-</b>	<b>(27)</b>
<b>FY23 RFS figures reflecting all methodology changes</b>		<b>6,306</b>	<b>4,493</b>	<b>2,731</b>	<b>1,012</b>	<b>481</b>	<b>90</b>	<b>79</b>	<b>164</b>	<b>15,417</b>	<b>2,690</b>	<b>-</b>	<b>18,107</b>	<b>21,725</b>	<b>(117)</b>	<b>(2)</b>	<b>39,713</b>

<sup>5</sup> The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

### Section 3.1.4 Impacts of methodology changes to FY23 published RFS return<sup>6</sup>

The table below sets out the estimated impact each change has to the FY23 published RFS return figures (£m), at Market level

CCN Section	Openreach											Rest of BT	BT Group					
	Physical Infrastructure	WLA Area 2	WLA Area 3	LLA Area 2	LLA Area 3	LLA High network reach	IEC BT only exchanges	IEC BT +1 exchanges	Shared ancillaries	Total SMP	Total Non-SMP	Eliminations	Total Openreach	Total Rest of BT	Eliminations	Rounding	Total Markets	
<b>FY23 Published RFS return</b>	<b>442</b>	<b>395</b>	<b>255</b>	<b>146</b>	<b>104</b>	<b>10</b>	<b>82</b>	<b>39</b>	<b>48</b>	<b>1,521</b>	<b>810</b>	<b>-</b>	<b>2,331</b>	<b>1,052</b>	<b>58</b>	<b>2</b>	<b>3,443</b>	
<b>BT driven changes</b>																		
Decapitalisation of FTTX CoW	2.3.1	-	105	43	(4)	(2)	-	-	-	142	(10)	-	132	(5)	1	-	128	
Improvement of CCA methodology	2.3.2	(1)	(6)	(3)	(1)	(1)	-	(1)	-	(14)	(2)	-	(16)	-	1	-	(15)	
Changes to decapitalisation of tie cables	2.3.3	-	(2)	(2)	-	-	-	-	-	(4)	-	-	(4)	-	-	-	(4)	
Cumulo allocation	2.3.4	-	22	13	(5)	(3)	-	(1)	-	26	(15)	-	11	(11)	-	-	-	
Changes to TRC, AVC, SFI and SFVA data	2.3.5	-	8	4	(2)	(1)	-	-	-	9	(1)	-	8	(8)	-	-	-	
Automation of PI returns	2.3.6	1	-	-	-	-	-	-	-	1	(1)	-	-	-	-	-	-	
Change to GL account and CoW data inputs	2.3.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change to Cumulo and Ofcom licence fee data	2.3.8	-	(6)	3	1	1	-	-	-	(1)	3	-	2	(2)	-	-	-	
Allocation of sales and product management costs	2.3.9	(1)	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Removal of Part Services	2.3.10	-	-	-	-	-	-	-	-	-	-	-	-	1	(1)	-	-	
Removal of internal revenue for Rest of BT	2.3.11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Optical cables discounts	2.3.12	-	-	-	7	4	-	6	5	22	(22)	-	-	(1)	1	-	-	
Mapping of PI SLGs to the PI market	2.3.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Improvement of GEA Electronics allocation	2.3.14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Allocation of Protect BT costs	2.3.15	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Change to presentation of specific Items	2.3.16	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Transfer of fixed assets register data to SAP	2.3.17	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Changes to capitalised pay and fixed asset register	2.3.18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Removal of adjustment to internal/external cost categorisation	2.3.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Total effect of BT driven methodology changes</b>		<b>(1)</b>	<b>122</b>	<b>58</b>	<b>(4)</b>	<b>(2)</b>	<b>-</b>	<b>4</b>	<b>5</b>	<b>(1)</b>	<b>181</b>	<b>(48)</b>	<b>-</b>	<b>133</b>	<b>(26)</b>	<b>2</b>	<b>-</b>	<b>109</b>
<b>Total effect of all methodology changes</b>		<b>(1)</b>	<b>122</b>	<b>58</b>	<b>(4)</b>	<b>(2)</b>	<b>-</b>	<b>4</b>	<b>5</b>	<b>(1)</b>	<b>181</b>	<b>(48)</b>	<b>-</b>	<b>133</b>	<b>(26)</b>	<b>2</b>	<b>-</b>	<b>109</b>
<b>FY23 RFS figures reflecting all methodology changes</b>		<b>441</b>	<b>517</b>	<b>313</b>	<b>142</b>	<b>102</b>	<b>10</b>	<b>86</b>	<b>44</b>	<b>47</b>	<b>1,702</b>	<b>762</b>	<b>-</b>	<b>2,464</b>	<b>1,026</b>	<b>60</b>	<b>2</b>	<b>3,552</b>

<sup>6</sup> The figures in this section estimate the impact of each methodology change. Not all methodology changes take into account overlapping effects from other proposed methodology changes.

## Appendix One      Template for change control

The conditions and directions referenced in section 1.1 do not contain a revised change control template. Therefore, the template provided in Ofcom's Regulatory Financial Reporting Final Statement (May 2014) has been used in the preparation of this document.

<b>Title</b>	Short title for each change.
<b>Type</b>	Select from: 1) change in allocation basis; 2) change in valuation methodology; 3) change in source data; or 4) other.
<b>Key driver for change</b>	State key driver based on Regulatory Accounting Principles Select from: 1) more complete; 2) more accurate; 3) more objective; 4) more consistent with regulatory decisions; 5) more cost causal; 6) more compliant with statutory accounting standards; or 7) more consistent.
<b>Trigger for change</b>	Select from: 1) BT judgment; 2) Regulatory decision; 3) changes in available evidence; or 4) other.
<b>Description of change</b>	A short explanation of the new methodology and how it differs from the old methodology.
<b>Effect of the change</b>	A description of the impact of the change in terms of the components most affected and the general impact of the change and the markets and services that are most affected by the changes.
<b>Support for the change</b>	A detailed justification for the change and the evidence taken into account to support the change.
<b>Key changes in accounting documents</b>	Set out key changes to accounting documents.

## Glossary

Reference	Description
ACPN	Specialised Accommodation Assets
AG	Activity Group
AG118	BT Group PAC – Including Overseas
AMD	Accounting methodology document
AVC	Abortive Visit Charges
CCA	Current cost accounting
CCN	Change control notification
CL456	PIA SLG
CL941	Cumulo Rates NGA
CL942	Cumulo BTW [Cumulo Non NGA - Non Openreach]
CL943	Cumulo – Openreach [formerly: Cumulo Non NGA – Openreach]
CJF	Backhaul/Core Fibre Cable
CP	Cost Perform
CP502	Openreach Sales Product Management
CoW	Class of Work
CUMNORM	BT's Cumulo Rates Costs
FTTC	Fibre to the Cabinet
FTTP	Fibre to the Premises
FTTX	Class of Work to capture FTTC/FTTP provisioning work
FY	Financial Year
GEA	Generic Ethernet Access
HCA	Historical Cost Accounting
IEC	Inter-exchange Connectivity
LDX	System X Local Exchanges
LLA	Leased Line Access
MCE	Mean Capital Employed
NGA	Next Generation Access
ODC	Oracle Data Centre
PDTCORES	Residential Drop Maintenance
PDTDTTM	Megastream
PDTFTTCR	FTTC Reactive Repair
PDTFTTPR	FTTP Reactive Repair



Reference	Description
PDTLMC	Exchange Side Cables
PDTMDEN	Private Circuits Megastream Maintenance
PDTMDF	Main Distribution Frames (Current)
PDTMDSL	Main Distribution Frames (Current)
PDTMG	General Customer Equipment & Line Faults
PDTMISC	FTTP Reactive Repair
PDTORSFI	Dropwire repair Overhead Cable
PDTUDL	Distribution Side Copper Repair
PDTUEL	Exchange Side Copper Repair
PG	Plant Group
PG941A	Cumulo Rates NGA
PG942A	Cumulo – BTW [formerly: Cumulo Non NGA BTW]]
PG943A	Cumulo - OR [formerly: Cumulo Non NGA OR]
PI	Physical Infrastructure
RFS	Regulatory Financial Statements
SAP	Enterprise Resource Planning (ERP) system used by BT Group
SC_CL941	Cumulo Rates NGA
SC_CL943	Cumulo OR [formerly: Cumulo Non NGA OR]
SFI	Special Fault Investigations
SFVA	Visit Assure
SLG	Service Level Guarantee
SLGALL	Service Level Guarantees
SMP	Significant Market Power
SOGEA	Single order generic ethernet access
TPC	Telecom Power Equipment
TRC	Time Related Charges
WLA	Wholesale Local Access
WFTMR	Wholesale Fixed Telecoms Market Review 2021-2026
WVMR	Wholesale Voice Market Review 2021-2026



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# BT Group

