
Supplementary Estimates Memorandum 2025-26: Water Services Regulation Authority

1 Overview

1.1 Objectives

The Water Services Regulation Authority (Ofwat) is the economic regulator of the water industry in England and Wales as principally set out in the Water Industry Act 1991, and as amended by the Water Act 2003 and Water Act 2014. Ofwat is a concurrent competition authority under the Competition Act 1998 and the Enterprise Act 2002 relating to commercial activities connected with water or sewerage services in England and Wales. These are continuing functions from previous years.

For its core role Ofwat is funded through licence fees received from the water and sewerage companies and we consult annually in our Forward Programme with our stakeholders on our budgets for the upcoming year.

1.2 Spending controls

Ofwat's spending is broken down into several spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**"): – a net limit comprising day-to-day running costs, less income from licence fees. In Ofwat's case, pension costs of the former Directors General of the Office of Water Services ('Directors General') which cannot be charged to the water industry.
- Capital Departmental Expenditure Limit ("**Capital DEL**"): – leases and investment in capital equipment such as ICT hardware.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require Ofwat to pay out cash in year.

1.3 Comparison of spending totals sought

The table below shows how the net spending totals sought for Ofwat compares with this year, last year and the latest Spending Review settlement.

Amounts sought this year (Supplementary Estimate 2025-26)		Difference (+/-), compared to original budget this year (Main Estimate 2025-26)		Difference (+/-), compared to final outturn last year (Outturn 2024-25)		Difference (+/-), compared to Spending Review (SR25)	
	£m	£m	%	£m	%	£m	%
Resource DEL	0.161	+0.001	+0.6%	+0.234	+320.5%	+0.001	+0.6%
Capital DEL	1.285	0	0%	+0.643	+100.2%	+0.635	+97.7%

A breakdown of spending and income within the net total is shown in section 2.1.

1.4 Key drivers of spending changes since last year

The resource outturn for 2024-25 represents a £0.234m underspend on an approved budget estimate of £0.161m. The net Resource DEL for 2025-26 is unchanged from last year's estimate. Within this, expected licence fee income, and the gross expenditure this covers, have risen from £72.1m to £78.6m (+9%) during 2025-26. The increase in our budget from 2024-25 to 2025-26 will fund the delivery of our strategy, focusing on building capability to help drive transformation in company performance, addressing long term infrastructure delivery, improving asset health, implementation of the Turnaround Oversight Regime for companies with significant performance issues, as well as delivering a significant boost to the regulator's enforcement capacity.

The capital outturn for 2024-25 represents a £0.08m underspend on an approved budget estimate of £0.65m. The net Capital DEL for 2025-26 has increased by £0.635m from last year's estimate. The increased capital budget for 2025-26 reflects office accommodation leases and IT hardware upgrades.

1.5 Key drivers of change since the Spending Review

The net Resource DEL is materially unchanged since the 2025 Spending Review. Expenditure is largely funded through income generated from fees levied on water and/or sewerage companies and is subject to cost control.

The net Capital DEL has increased by £0.635m (+97.7%) since the 2025 Spending Review. This is a spending pressure in relation to our office accommodation leases and a reserve claim was made during Main Estimate 2025-26.

1.6 Reserve claims and spending pressures

No new reserve claims were made.

1.7 Funding: Other spending announcements

No other major spending announcements in relation to Ofwat's budget were made in the year.

1.8 New policies and programmes

The regulator's existing strategy is attached [here](#), and the [2025-26 Forward Programme](#).

1.9 Administration costs and efficiency plans

The 2025-26 administration budget relates to part of the pension costs of the former Directors General of the Office of Water Services ('Directors General') which cannot be charged to the water industry as it relates to their services with other government departments.

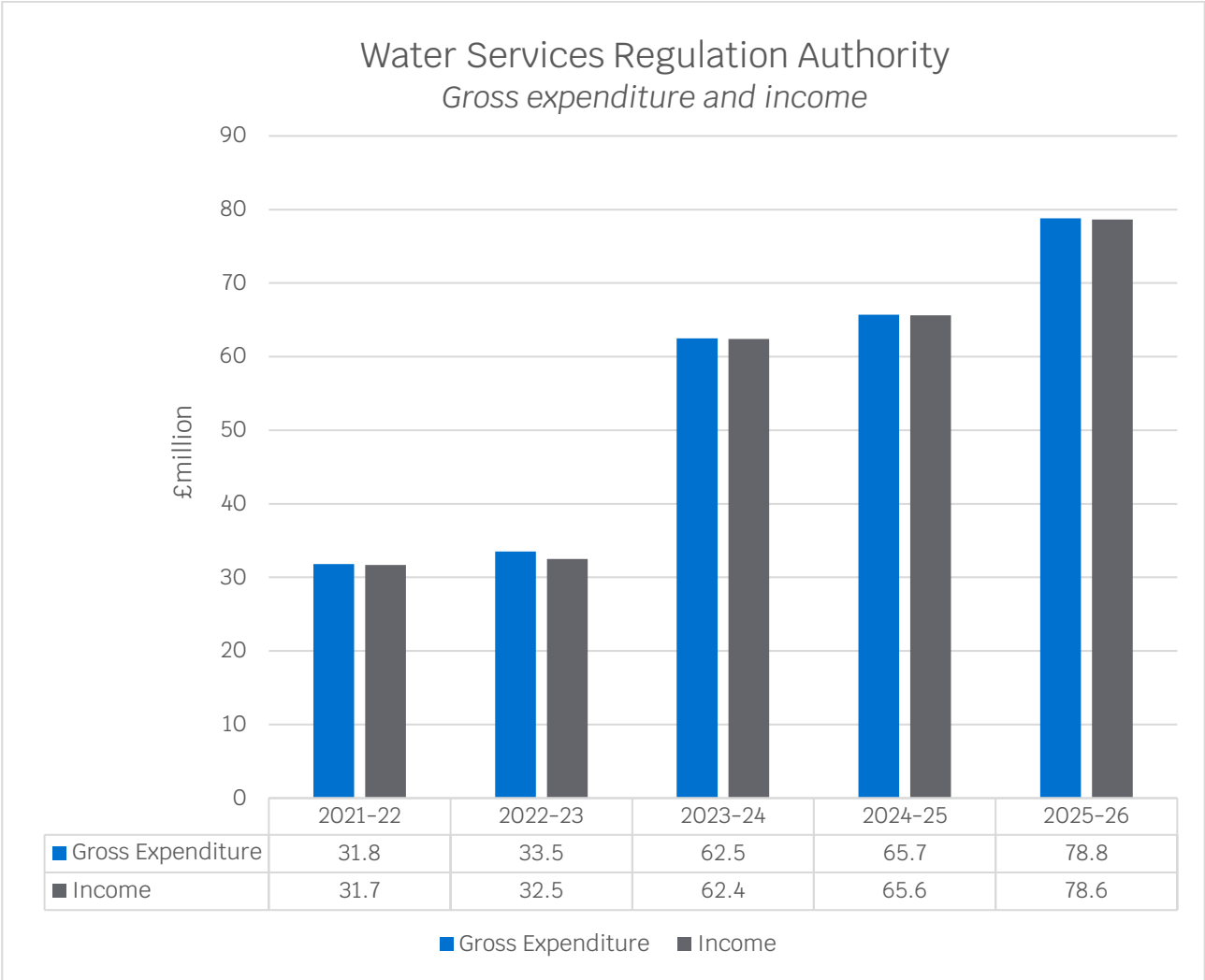
Amounts sought this year (Supplementary Estimate 2025-26)		Difference (+/-), compared to original budget this year (Main Estimate 2025-26)		Difference (+/-), compared to final outturn last year (Outturn 2024-25)		Difference (+/-), compared to Spending Review (SR25)	
	£m	£m	%	£m	%	£m	%
Administration costs	0.161	+0.001	+0.6%	+0.234	+320.5%	+0.001	+0.6%

Ofwat remain conscious of the government's ongoing requirement for departments to deliver efficiencies. We are planning 1% efficiency savings in 2025-26 and 2026-27 as agreed with HM Treasury. We have also built in a minimum of year-on-year 1% savings into our multi-year budget plans.

1.10 Spending Trends

The charts below show overall spending and income trends for the last five years.

Ofwat Resource DEL gross expenditure and income trends (£million)



The 2023-24 increase was for the Ofwat strategy refresh to improve water companies’ performance and prepare the sector for longer-term challenges, reflecting the strategic priorities set by the UK and Welsh Governments.

The increase in our budget from 2024-25 to 2025-26 will fund the delivery of our strategy, focusing on building capability to help drive transformation in company performance, addressing long term infrastructure delivery, improving asset health, implementation of the Turnaround Oversight Regime for companies with significant performance issues, as well as delivering a significant boost to the regulator's enforcement capacity.

We are conscious of the importance of demonstrating value for money for Ofwat and agreed a range of key performance indicators with HM Treasury to demonstrate the link between costs and outcomes.

2 Spending detail

2.1 Tables:

Resource DEL

The table below shows how spending plans for Resource DEL compare in year.

	Resource DEL		Change in year		Is change significant?
	This year (Supplementary Estimate 2025-26)	This year (Main Estimate 2025-26)			
	£m	£m	£m	%	
Gross expenditure	78.792	72.291	+6.501	+9.0%	See Note 1
Fees from licensees	78.631	72.131	+6.500	+9.0%	
Net expenditure	0.161	0.160	+0.001	+0.6%	

Note 1: £3.5m additional cost pressures reflecting the reallocation and mobilisation of planned activities from 2024–25 to 2025–26.

£3m additional costs for oversight and engagement on company financial and operational resilience.

£1k token increase to enable Parliament to vote Supplementary Estimate.

Capital DEL

The table below shows how spending plans for Capital DEL compare in year.

	Capital DEL		Change in year		Is change significant?
	This year (Supplementary Estimate 2025-26)	This year (Main Estimate 2025-26)			
	£m	£m	£m	%	
Capital expenditure	1.285	1.285	0	0%	No

There has been no change to capital expenditure this year.

2.2 Restructuring

Ofwat does not envisage any further restructuring changes in this period, but it should be noted that we are operating in an environment, post Independent Water Commission's report, that will necessitate additional transformation resource as the transition plans evolve.

2.3 Ring fenced budgets

Within the totals, the following elements are ring fenced i.e. savings in these budgets may not be used to fund pressures on other budgets.

Amounts sought this year (Supplementary Estimate 2025-26)		Difference (+/-), compared to original budget this year (Main Estimate 2025-26)		Difference (+/-), compared to final outturn last year (Outturn 2024-25)	
	£m	£m	%	£m	%
Depreciation	1.125	0	0%	+0.042	+3.9%

There has been no change to depreciation this year.

2.4 Changes to contingent liabilities

Ofwat does not have any new or changed contingent liabilities.

3. Priorities and Performance

3.1 How spending relates to objectives

Expenditure supports all of the objectives set out in Ofwat's Forward Programme.

3.2 Measures of performance against each priority

Ofwat's Forward Programme (see [2025-26 Forward Programme](#)) sets out the high-level objectives, and measures of performance, for the regulator for the current financial year.

3.3 Major projects

Ofwat has not undertaken any major capital projects nor are any planned.

4. Other Information

4.1 Research & Development Expenditure

Ofwat has no R&D expenditure.

4.2 Additional specific information required by the select committee

No additional information has been requested by the select committee.

5. Accounting Officer Approval

This memorandum has been prepared according to the requirements and guidance set out by HM Treasury and the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by myself as Accounting Officer.



Chris Walters

Accounting Officer

Water Services Regulation Authority

28 January 2026

Water Services Regulation Authority

INTRODUCTION

This Supplementary Estimate is required for the following purposes:

				£
Changes in budgets, non-budget voted provision and cash	Increases	Reductions	Total	
Other Changes				
(Section A) Additional cost pressures reflecting the reallocation and mobilisation of planned activities from 2024–25 to 2025–26, which is offset by income.	3,500,000	-3,500,000		
(Section A) Additional costs for oversight and engagement on company financial and operational resilience, which is offset by income.	3,000,000	-3,000,000		
(Section A) Token increase to enable Parliament to vote Supplementary Estimate.	1,000			
Total change in Resource DEL (voted)	6,501,000	-6,500,000	1,000	
Revisions to the Net Cash Requirement reflect changes to resources as set out above.	1,000			
Total change in Net Cash Requirement	1,000			1,000

PART I: EXPENDITURE AND AMBIT

			£
	Voted	Non-Voted	Total
Departmental Expenditure Limit			
Resource	1,000	-	1,000
Capital	-	-	-
Annually Managed Expenditure			
Resource	-	-	-
Capital	-	-	-
Total Net Budget			
Resource	1,000	-	1,000
Capital	-	-	-
Non-Budget Expenditure	-		
Net Cash Requirement	1,000		

Supplementary amounts required in the year ending 31 March 2026 for expenditure by Water Services Regulation Authority on:

Departmental Expenditure Limit:

Expenditure arising from:

Regulation of, and the application of competition law to, the water and sewerage industry in England and Wales. Administration and operation costs of the Department, including depreciation, pension payments, provisions and other non-cash items. Payments in relation to legal costs arising from carrying out legal functions including regulatory and/or competition functions.

Income arising from:

Regulatory licence fees and otherwise recovering Ofwat's costs and expenses associated with the regulation of, and being a competition authority in relation to, the water and sewerage industry in England and Wales.

Contributions towards former Director Generals' pension payments.

Recovery in respect of administration and operation costs of the Department, including salary recovery for staff on loan or seconded, contributions relating to participants' share of collaborative projects, sale of fixed assets and any other miscellaneous cost recovery receipts.

Water Services Regulation Authority will account for this Estimate.

PART II: CHANGES PROPOSED

£'000									
	Net Resources						Net Capital		
	Present		Changes		Revised		Present	Changes	Revised
	Admin	Prog	Admin	Prog	Admin	Prog			
	1	2	3	4	5	6	7	8	9
Departmental Expenditure Limit (DEL)									
Voted expenditure									
A Water Services Regulation Authority	160	-	1	-	161	-	1,285	-	1,285
Total voted DEL	160	-	1	-	161	-	1,285	-	1,285
Total DEL			1	-				-	
Voted expenditure			1	-				-	
Non-voted expenditure			-	-				-	
Total for Estimate			1	-				-	

£'000			
	Present Plans	Changes	Revised Plans
Net Cash Requirement	14,445	1	14,446

PART II: REVISED SUBHEAD DETAIL INCLUDING ADDITIONAL PROVISION

£'000

Revised Plans										
	Resources							Capital		
	Administration			Programme			Total	Gross	Income	Net
	Gross	Income	Net	Gross	Income	Net	Net			
	1	2	3	4	5	6	7	8	9	10
Departmental Expenditure Limit (DEL)										
Voted expenditure										
A Water Services Regulation Authority	78,792	-78,631	161	-	-	-	161	1,285	-	1,285
Total voted DEL	78,792	-78,631	161	-	-	-	161	1,285	-	1,285
Total DEL	78,792	-78,631	161	-	-	-	161	1,285	-	1,285
Voted expenditure	78,792	-78,631	161	-	-	-	161	1,285	-	1,285
Non-voted expenditure	-	-	-	-	-	-	-	-	-	-
Total for Estimate	78,792	-78,631	161	-	-	-	161	1,285	-	1,285

PART II: RESOURCE TO CASH RECONCILIATION

	£'000		
	Present Plans	Changes	Revised Plans
Net Resource Requirement	160	1	161
Net Capital Requirement	1,285	-	1,285
Accruals to cash adjustments	13,000	-	13,000
<i>Of which:</i>			
<i>Adjustment for ALBs:</i>			
Remove voted resource and capital	-	-	-
Add cash grant-in-aid	-	-	-
<i>Adjustments to remove non-cash items:</i>			
Depreciation	-1,125	-	-1,125
New provisions and adjustments to previous provisions	-160	-	-160
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-110	-	-110
<i>Adjustments to reflect movements in working balances:</i>			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	14,215	-	14,215
Use of provisions	180	-	180
Removal of non-voted budget items	-	-	-
<i>Of which:</i>			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	14,445	1	14,446

PART III: NOTE A - STATEMENT OF COMPREHENSIVE NET EXPENDITURE & RECONCILIATION TABLE

	£'000
	Revised Plans
Gross Administration Costs	78,792
<i>Less:</i>	
Administration DEL Income	-78,631
Net Administration Costs	161
Gross Programme Costs	-
<i>Less:</i>	
Programme DEL Income	-
Programme AME Income	-
Non-budget income	-
Net Programme Costs	-
Total Net Operating Costs	161
<i>Of which:</i>	
Resource DEL	161
Capital DEL	-
Resource AME	-
Capital AME	-
Non-budget	-
<i>Adjustments to include:</i>	
Departmental Unallocated Provision (resource)	-
Consolidated Fund Extra Receipts in the budget but not in the SoCNE	-
<i>Adjustments to remove:</i>	
Capital in the SoCNE	-
Grants to devolved administrations	-
Non-Budget Consolidated Fund Extra Receipts in the SoCNE	-
Other adjustments	-
Total Resource Budget	161
<i>Of which:</i>	
Resource DEL	161
Resource AME	-
<i>Adjustments to include:</i>	
Grants to devolved administrations	-
Prior period adjustments	-
<i>Adjustments to remove:</i>	
Consolidated Fund Extra Receipts in the resource budget	-
Other adjustments	-
Total Resource (Estimate)	161

PART III: NOTE B - ANALYSIS OF DEPARTMENTAL INCOME

£'000

	Revised Plans
Voted Resource DEL	
Administration	
A Water Services Regulation Authority	
Taxation	-78,631
Total Taxation	-78,631
Total Administration	-78,631
Total Voted Resource DEL	-78,631
Total Voted Resource Income	-78,631

PART III: NOTE C - ANALYSIS OF CONSOLIDATED FUND EXTRA RECEIPTS

No CFER income or receipts are expected in 2025-26.

PART III: NOTE D - EXPLANATION OF ACCOUNTING OFFICER RESPONSIBILITIES

The Accounting Officer prepares resource accounts for each financial year. See Section 2, Part III - Other statements and notes of Main Estimates 2025-26 for further details of Accounting Officer responsibilities.

Accounting Officer: Chris Walters