
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
(SECTION A) Increase in RDEL ring-fenced expenditure in relation to depreciation and will be offset by a reduction in RDEL non ring-fenced expenditure. Depreciation change: Rollout of replacement mobile phones and surface pro laptops for staff, and an upgrade of video conferencing equipment in Birmingham and London offices.	90,000	-90,000	
(SECTION A) Token increase in RDEL to enable Parliament to vote Supplementary Estimate.	1,000		
Total change in Resource DEL (Voted)	91,000	-90,000	1,000

Part I

£

	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	-		

Supplementary amounts required in the year ending 31 March 2022 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 noncash 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
Spending in Departmental Expenditure Limits (DEL)								
Voted Expenditure								
150	-	1	-	151	-	600	-	600
<i>Of which:</i>								
A Water Services Regulation Authority								
150	-	1	-	151	-	600	-	600
Total Spending in DEL								
		1	-					
Total for Estimate								
		1	-					
<i>Of which:</i>								
Voted Expenditure								
		1	-					
Non-Voted Expenditure								
		-	-					
						£'000		

	Present Plans	Changes	Revised Plans
Net Cash Requirement	5,753	-	5,753

Part II: Resource to cash reconciliation

£'000

	Present Plans	Changes	Revised Plans
Net Resource Requirement	150	1	151
Net Capital Requirement	600	-	600
Accruals to cash adjustments	5,003	-1	5,002
<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	-310	-90	-400
New provisions and adjustments to previous provisions	-150	-	-150
Departmental Unallocated Provision	-	-	-
Supported capital expenditure (revenue)	-	-	-
Prior Period Adjustments	-	-	-
Other non-cash items	-43	-	-43
<i>Adjustments to reflect movements in working balances:</i>			
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	-
Increase (-) / Decrease (+) in creditors	5,353	89	5,442
Use of provisions	153	-	153
Removal of non-voted budget items	-	-	-
<i>Of which:</i>			
Consolidated Fund Standing Services	-	-	-
Other adjustments	-	-	-
Net Cash Requirement	5,753	-	5,753

Part III: Note A - Statement of Comprehensive Net Expenditure & Reconciliation Table

	£'000
	Revised Plans
Gross Administration Costs	31,801
<i>Less:</i>	
Administration DEL Income	-31,650
Net Administration Costs	151
Gross Programme Costs	-
<i>Less:</i>	
Programme DEL Income	-
Programme AME Income	-
Non-budget income	-
Net Programme Costs	-
Total Net Operating Costs	151
<i>Of which:</i>	
Resource DEL	151
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	151
<i>Of which:</i>	
Resource DEL	151
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)	151

Part III: Note B - Analysis of Departmental Income

£'000

Revised
Plans

Voted Resource DEL	-31,650
<i>Of which:</i>	
Administration	
Taxation	-31,650
<i>Of which:</i>	
A Water Services Regulation Authority	-31,650
Total Administration	<u>-31,650</u>
Total Voted Resource Income	<u>-31,650</u>

Part III: Note C - Analysis of Consolidated Fund Extra Receipts

No CFER income or receipts are expected in 2021-22.

Part III: Note D - Explanation of Accounting Officer responsibilities

The Accounting Officer prepares resource accounts for each financial year.

The following individuals are responsible for the expenditure within this Estimate:

Accounting Officer: David Black

David Black has personal responsibility for the proper presentation of the department's resource accounts and their transmission to the Comptroller & Auditor General, and is also responsible for the use of public money and stewardship of assets.

In discharging these responsibilities, particular regard is given to:

- observing any accounting and disclosure requirements (including any Accounts Direction) and applying suitable accounting policies on a consistent basis;
- making judgements and estimates on a reasonable basis;
- stating whether applicable accounting standards, as set out in the Financial Reporting Manual (FReM), or an organisation's version of it, have been followed, and explain any material departures in the accounts; and
- preparing the accounts on a going concern basis.

The responsibilities of an Accounting Officer, including responsibility for regularity and propriety of the public finances for which an Accounting Officer is answerable, for keeping proper records and safeguarding assets, are also set out in Chapter 3 of Managing Public Money.

Supplementary Estimates memorandum (2021-22): Water Services Regulation Authority

1 Overview

1.1 Objectives

The Water Services Regulation Authority (Ofwat) support the regulation of the water industry in England and Wales as principally set out in the Water Industry Act 1991, Water Act 2003, and Water Act 2014. Ofwat is a competition authority principally 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 and no new functions have been added.

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 net spending is broken down into a several different 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
- Capital Departmental Expenditure Limit (“ **Capital DEL**”): - 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 net spending totals sought

The table below shows how the net spending totals sought for Ofwat compares with last year:

Spending total Amounts sought this year (Supplementary Estimates 2021 - 22)	Compared to original budget this year (Main Estimate 2021 - 22)			Compared to outturn budget last year (Main Estimate 2020 - 21)	
	£ m	£ m	%	£ m	%
Resource DEL	0.15	0.15	0%	-0.34	329%
Capital DEL	0.6	0.6	0%	0.12	80%

See section 1.4 for key drivers of spending change, and 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 net Resource DEL is unchanged from the original budget.

The net capital DEL is unchanged from the original budget.

Between 2020/21 and 2021/22 the estimate budget increased from £31.4m to £31.8m (1.3%) and licence income is expected to cover this. This modest increase will fund the delivery of our strategy plus the water sector green recovery process and additional COVID work.

The Capital DEL estimate increased for 2021/22 from the 2020/21 outturn budget predominantly for IT hardware upgrades and investment which previously would be been classed as Resource DEL expenditure.

The 2020/21 outturn position was lower than this years estimated budget position.

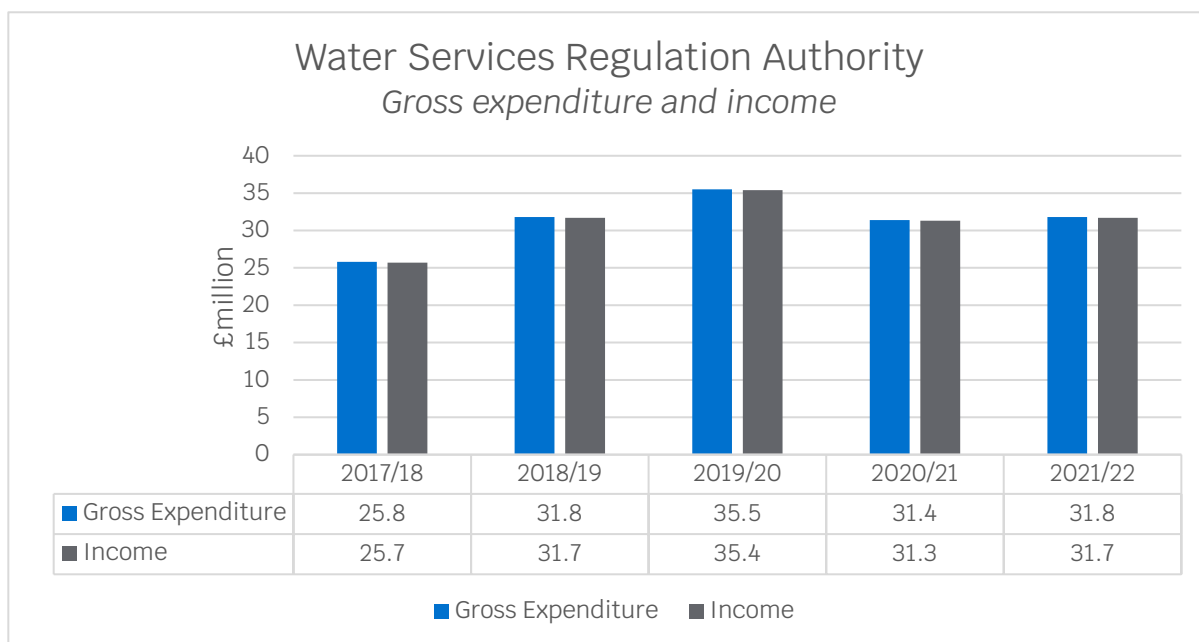
1.5 New policies and programmes

The regulator's strategy is attached [here](#), and also the [2021-22 Forward Programme](#).

1.6 Spending and income trends

The charts below show overall resource DEL spending and income trends for the last five years. The spike in 2019/20 reflects the peak of work around setting a new price control, which the regulator does every 5 years. Another key change since 2017/18 (last normal year)

is RAPID (Regulators' Alliance for Progressing Infrastructure Development) where extra funding was agreed by HMT following a separate business case .



1.7 Administration costs and efficiency plans

Spending total	Amounts sought this year (Supplementary Estimate 2021 -22)		Compared to original budget this year (Main Estimate 2021 -22)		Compared to outturn last year (Outturn 2020 -21)	
	£ m	%	£ m	%	£ m	%
Administration costs	0.15	0%	0.15	0%	(0.3)	144%

The £0.15m administration budget related to the 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.

1.8 Funding: Spending Review and Budgets

The regulator received no material funding through the last Spending Review. Expenditure is largely funded through:

- Income generated from fees levied on water and/ or sewerage companies and is subject to cost control.

1.9 Other funding announcements

No funding announcements in relation to Ofwat’s 2021/22 budget were made in the year.

2 Spending and income detail

2.1 Explanations of changes in spending and income

Resource DEL

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

	Resource	DEL	Change from last year	
	This year (2021/22 Supplementary Estimates budget sought)	This year (2021 -22 Main Estimates budget approved)		
	£m	£m	£m	%
Gross expenditure	31.8	31.8	0	0.0%
Fees from licences	31.7	31.7	0	0.0%
Net expenditure	0.1	0.1	0	0.0%

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

Ringfenced budgets Amounts sought this year (Supplementary Estimate 2021-22)	Compared to original budget last year (Main Estimate 2021 - 22)			Compared to outturn last year (Outturn 2020 - 21)	
	£ m	£ m	%	£ m	%

Depreciation	0.45	0.36	20%	0.31	47%
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The increased depreciation charge between the Main and Supplementary Estimates in 21/22 is due to:

- the roll out of replacement mobile phones and surface pro laptops for staff;
- the upgrade of video conferencing equipment in Birmingham and London offices

2.4 Changes to contingent liabilities

Ofwat does not have any contingent liabilities

3. Priorities and performance

3.1 Measures of performance against each priority

The regulator's Forward Programme (see [Ofwat 2021-22 Forward Programme](#)) sets out the following high-level objectives, and measures of performance, for the regulator for the current financial year.

3.4 Major projects

The Regulator has not undertaken any major capital projects.

4. Other information

4.1 Additional specific information required by the select committee

No additional information has been requested by the 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 Departmental Accounting Officer.

David Black

Accounting Officer

Water Services Regulation Authority

18 February 2022