

Office of Water Services

Introduction

1. This Estimate provides for the funding of Ofwat. The department is headed by the Water Services Regulation Authority (WSRA), which was established under the Water Act 2003. It takes over the responsibilities of the Director General of Water Services. Ofwat is responsible for the economic regulation of the water industry in England and Wales as set out in the Water Industry Act 1991 and Water Act 2003.
2. Ofwat is financed through licence fees received from the water and sewerage companies and is subject to cost controls.
3. The cash provision of £828,000 sought is to cover part of the pension of former Director Generals of Ofwat. £300,000 of which cannot be charged to the water industry and administrative costs of £528,000 to be funded by the use of previous years' licence fees.
4. Symbols are explained in the Introduction to this booklet.

Part I

	£
Request for Resources 1: Regulation of the Water Industry	1,000
Total net resource requirement	1,000
Net cash requirement	828,000

Amounts required in the year ending 31 March 2007 for expenditure by the Office of Water Services on:

RfR 1: Regulation of the Water Industry

Administrative and operational costs and the provision of customer representation and associated non-cash items.

The **Office of Water Services** will account for this Estimate.

	Net total	Allocated in Vote on Account	Balance to complete
RfR 1	1,000	-	1,000
Total net resource requirement	1,000	-	1,000
Net cash requirement	828,000	50,000	778,000

Part II: Subhead detail

										£'000	
2006-07 Provision										2005-06 Provision	2004-05 Outturn
Resources							Capital Non- operating A		Net Total Resources	Net Total Resources	
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	in A				
1	2	3	4	5	6	7	8	9	10		
RfR 1: Regulation of the Water Industry											
12,400	-	-	12,400	12,399	1	200	-	3	-		
Spending in Departmental Expenditure Limits (DEL)											
<i>Central Government spending</i>											
A Office of Water Services											
12,400	-	-	12,400	12,399	1	200	-	3	-		
Total for Estimate:											
12,400	-	-	12,400	12,399	1	200	-	3	-		

Part II: Resource to cash reconciliation

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
Net Resource Requirement	1	3	-
Voted capital items			
Capital	200	400	52
Less Non-operating A-in-A	-	-	-
Total net voted capital	200	400	52
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	45	45	53
Depreciation	-341	-447	-554
New provisions and adjustments to previous provisions	-100	-140	-402
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-32	-32	-22
Increase (+) / Decrease (-) in stock	-	-	-
Increase (+) / Decrease (-) in debtors	-	-	11
Increase (-) / Decrease (+) in creditors	715	580	377
Use of provisions	340	100	103
Total accruals to cash adjustments	627	106	-434
Excess cash to be CFERd	-	-	420
Net Cash Requirement	828	509	38

Part III: Extra receipts payable to the Consolidated Fund

In addition to appropriations in aid the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	£'000					
	2006-07		2005-06		2004-05	
	Provision		Provision		Outturn	
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>
Operating income not classified as A in A	-	-	-	-	-	-
Non-operating income not classified as A in A	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-	763	-
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	420
Total	-	-	-	-	763	420

Forecast Operating Cost Statement

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
Net Administration Costs			
RfR 1	1	3	-
Total Net Administration costs	1	3	-
Net Programme Costs			
RfR 1	-	-	-
Total Net Programme costs	-	-	-
Total Net Operating Cost	1	3	-
<i>of which:</i>			
Net Resource Requirement	1	3	-
Non-voted expenditure	-	-	-
Consolidated Fund Extra Receipts	-	-	-
Resource Budget	1	3	-

Notes to the Main Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
Net Resource Requirement (Estimates)	1	3	-
<i>Adjustments to remove:</i>			
Provision voted for earlier years	-	-	-
<i>Adjustments to additionally include:</i>			
Non-voted expenditure in the OCS	-	-	-
Consolidated Fund Extra Receipts in the OCS	-	-	-
Other adjustments	-	-	-
Net Operating Cost (Accounts)	1	3	-
<i>Adjustments to remove:</i>			
Capital grants	-	-	-
European Union income related to capital grants	-	-	-
Voted expenditure outside the budget	-	-	-
<i>Adjustments to additionally include:</i>			
Other Consolidated Fund Extra Receipts	-	-	-
Resource consumption of non departmental public bodies	-	-	-
Unallocated resource provision	-	-	-
Other adjustments	-	-	-
Resource Budget (Budget)	1	3	-
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	1	3	-
Annually Managed Expenditure (AME)	-	-	-

Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
Net Voted Capital (Estimates)	200	400	52
<i>Adjustments to remove:</i>			
Gains / losses from sale of capital assets	-	-	-
<i>Adjustments to additionally include:</i>			
Other Consolidated Fund Extra Receipts	-	-	-
Capital spending by non-departmental public bodies	-	-	-
Capital grants	-	-	-
European Union income related to capital grants	-	-	-
Supported capital expenditure (revenue)	-	-	-
Capital spending by levy funded bodies	-	-	-
Unallocated capital provision	-	-	-
Other adjustments	-	-	-
Capital Budget (Budget)	200	400	52
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	200	400	52
Annually Managed Expenditure (AME)	-	-	-

Notes to the Main Estimate (*continued*)

Explanation of Accounting Officer responsibilities

In accordance with the Government Resources and Accounts Act 2000 the Treasury has made the following Accounting Officer appointment for the Request for Resources within this Estimate.

Request for Resources 1: Philip Fletcher, Chairman and Acting Chief Executive

Philip Fletcher as the Accounting Officer of the Office of Water Services has personal responsibility for the proper presentation of the department's resource accounts as prescribed in legislation, or by the Treasury, and their transmission to the Comptroller and Auditor General. The AO as the permanent head, remains in general overall charge of the Office of Water Services.

The responsibilities of an Accounting Officer are set out in Annex 4.1 of Government Accounting. In essence these responsibilities include a personal responsibility for the propriety and regularity of the public finances for which they are answerable; for keeping of proper accounts; for prudent and economical administration; for the avoidance of waste and extravagance; and for the efficient and effective use of all the available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the organisation's policies, aims and objectives and should regularly review the effectiveness of that system.

Notes to the Main Estimate (*continued*)

Analysis of operating appropriations in aid (A in A)

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
RfR 1: Regulation of the Water Industry			
Administration	12,399	12,098	11,196
<i>of which:</i>			
Sale of goods and services	-	-	9
Regulatory licences, fines, penalties and taxes	12,399	12,098	11,187
Total RfR 1	12,399†	12,098	11,196
† Amount that may be applied as operating appropriations in aid in addition to the net total arising from: the receipt of licence fees and income relating to the provision of support services to the Consumer Council for Water.			
Total Operating A in A	12,399	12,098	11,196

Notes to the Main Estimate (*continued*)

Analysis of Consolidated Fund extra receipts

	£'000					
	2006-07		2005-06		2004-05	
	Provision		Provision		Outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Excess cash surrenderable to the Consolidated Fund Φ	-	-	-	-	-	420
Transfer from Department for Transport \bullet	-	-	-	-	763	-
Total	-	-	-	-	763	420

Notes to the Main Estimate (*continued*)

Departmental Expenditure Limits and Administration budgets

	£'000		
	Voted	Non-voted	Total
Resource DEL	1	-	1
<i>of which:</i> *			
Administration budget	1	-	1
Near-cash in RDEL	-47	60	13
Capital DEL**	200	-	200
Less Depreciation†	-341	-	-341
Total DEL	-140	-	-140

* The total of the 'Administration Budget' and 'Near-cash in Resource DEL' figures may well be greater than total resource DEL, due to the definitions overlapping.

** Capital DEL includes items treated as resource in Estimates and accounts but which are treated as Capital DEL in budgets.

† Depreciation, which forms part of resource DEL, is excluded from total DEL since capital DEL includes capital spending and to include depreciation of those assets would lead to double counting.

Comparison of provision sought with final provision for the previous year

The total net resource sought for 2006-07 of £1,000 is 66.7 per cent lower than the final net provision for 2005-06 of £3,000.

Cash which may be retained to offset expenditure

	£'000		
	2006-07 Provision	2005-06 Provision	2004-05 Outturn
Cash which may be retained by the department to offset expenditure in the year due to its relationship with income (operating and non-operating) that has been, or will be, appropriated in aid.	12,399	12,098	11,196

