

# Office of Water Services

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## Introduction

1. This Estimate provides for the funding of the Office of Water Services (Ofwat). The Department is headed by the Director General of Water Services who is responsible for ensuring that water and sewerage companies properly carry out their functions and can finance them. Subject to that he must protect customers, promote economy and efficiency and facilitate competition.
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 £588,000 sought for 2004-05 is required to cover part of the pension costs of the former Director General of the Office of Water Services £38,000 that cannot be charged to the water industry and administrative costs £550,000 to be funded by the use of previous years licence fees.
4. Symbols are explained in the Introduction to this booklet.

## Part I

	£
<b>Request for Resources 1: Regulation of the Water Industry</b>	<b>1,000</b>
<b>Total net resource requirement</b>	<b>1,000</b>
<b>Net cash requirement</b>	<b>588,000</b>

Amounts required in the year ending 31 March 2005 for expenditure by the Office of Water Services on:

### RfR 1: Regulation of the Water Industry

Administration 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
	£	£	£
<b>RfR 1</b>	1,000	—	1,000
<b>Total net resource requirement</b>	1,000	—	1,000
<b>Net cash requirement</b>	588,000	17,000	571,000

## Part II: Subhead detail

£'000

2004-05						2003-04 Provision	2002-03 Outturn		
Resources						Capital		Net Total Resources	Net Total Resources
Admin	Other Current	Grants	Gross Total	A in A	Net Total	Capital	Non- operating A in A		
1	2	3	4	5	6	7	8	9	10
<b>RfR 1: Regulation of the Water Industry</b>									
14,035	366	-	14,401	14,400	1	130	-	2	-
<b>Spending in Departmental Expenditure Limits (DEL)</b>									
<i>Central Government spending</i>									
A Office of Water Services									
14,035	366	-	14,401	14,400	1	130	-	2	-
<b>Total for Estimate:</b>									
14,035	366	-	14,401	14,400	1	130	-	2	-

## Part II: Resource to cash reconciliation

	2004-05		2003-04		2002-03		£'000
	Provision		Provision		Outturn		
<b>Net Total Resources</b>		<b>1</b>		<b>2</b>			<b>-</b>
<b>Voted capital items</b>							
Capital	130		300		1,196		
Less Non-operating A-in-A	-		-		-		
<b>Total net voted capital</b>		<b>130</b>		<b>300</b>			<b>1,196</b>
<b>Accruals to cash adjustment</b>							
Adjustments to remove non-cash items:							
Cost of Capital charges	40		-40		50		
Depreciation	-346		-560		-277		
New provisions and adjustments to previous provisions	-60		-34		-9		
Profit/loss on sale of assets	-		-		-2		
Prior period adjustments	-		-		-		
Other non-cash items	-29		-27		-29		
Increase (+) / Decrease (-) in stock	-		-		-		
Increase (+) / Decrease (-) in debtors	-		-		107		
Increase (-) / Decrease (+) in creditors	762		1,767		-343		
Use of provisions	90		90		89		
<b>Total accruals to cash adjustments</b>		<b>457</b>		<b>1,196</b>			<b>-414</b>
<b>Excess cash to be CFERd</b>		<b>-</b>		<b>-</b>			<b>253</b>
<b>Net Cash Requirement</b>		<b>588</b>		<b>1,498</b>			<b>1,035</b>

## 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):-

	2004-05		2003-04		2002-03		£'000
	Provision		Provision		Outturn		
	Income	<i>Receipts</i>	Income	<i>Receipts</i>	Income	<i>Receipts</i>	
Operating income not classified as AinA	-	-	-	-	-	-	455
Non-operating income not classified as AinA	-	-	-	-	-	-	-
Other amounts collectable on behalf of the Consolidated Fund	-	-	-	-	-	-	-
Excess cash receipts to be surrendered to the Consolidated Fund	-	-	-	-	-	-	253
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708</b>

## Forecast Operating Cost Statement

	2004-05 Provision	2003-04 Provision	2002-03 Outturn	£'000
<b>Net administration costs:</b>				
RfR 1	-365	-632		-238
<b>Net programme costs:</b>				
RfR 1	366	634	238	
<b>Total net programme costs</b>	<u>366</u>	<u>634</u>	<u>238</u>	
<b>Total Net Operating Cost</b>	<b>1</b>	<b>2</b>		-
<i>of which:</i>				
<b>Net Resource Outturn</b>	<b>1</b>	<b>2</b>		-
CFERs	-	-		-
Non-voted expenditure	-	-		-
<b>Resource Budget Outturn</b>	<b>1</b>	<b>2</b>		-

## Notes to the Main Estimate

### Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
<b>Net Resource Outturn (Estimates)</b>	<b>1</b>	<b>2</b>	-
<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	-	-	-
<b>Net Operating Cost (Accounts)</b>	<b>1</b>	<b>2</b>	-
<i>Adjustments to remove:</i>			
capital grants to local authorities	-	-	-
capital grants financed from the Capital Modernisation Fund	-	-	-
European Union income and related adjustments	-	-	-
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	-	-	-
<b>Resource Budget Outturn (Budget)</b>	<b>1</b>	<b>2</b>	-
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	1	2	-
Annually Managed Expenditure (AME)	-	-	-

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000		
	2004-05 Provision	2003-04 Provision	2002-03 Outturn
<b>Net Voted Capital Outturn (Estimates)</b>	<b>130</b>	<b>300</b>	<b>1,196</b>
<i>Adjustments to remove:</i>			
gains / losses from sale of capital assets	-	-	-2
<i>Adjustments to additionally include:</i>			
other Consolidated Fund Extra Receipts	-	-	-
capital spending by non-departmental public bodies	-	-	-
capital grants to local authorities	-	-	-
capital grants financed by the Capital Modernisation Fund	-	-	-
local authority credit approvals	-	-	-
capital spending by levy funded bodies	-	-	-
unallocated capital provision	-	-	-
Other adjustments	-	-	-
<b>Capital Budget Outturn (Budget)</b>	<b>130</b>	<b>300</b>	<b>1,194</b>
<i>of which:</i>			
Departmental Expenditure Limits (DEL)	130	300	1,194
Annually Managed Expenditure (AME)	-	-	-

## Notes to the Main Estimate *(continued)*

### **Explanation of Accounting Officer responsibilities**

The Treasury has appointed the Director General Philip Fletcher as Principal Accounting Officer with overall responsibility for preparing the Department's Estimate.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in *Government Accounting*.

## Notes to the Main Estimate *(continued)*

### Analysis of Appropriations in Aid (A in A)

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A	Operating A in A	Non- operating A in A
<b>RfR 1: Regulation of the Water Industry</b>						
Licence Fees	14,400	—	12,600	—	11,950	—
<b>Total RfR 1</b>	<b>14,400*</b>	<b>—</b>	<b>12,600</b>	<b>—</b>	<b>11,950</b>	<b>—</b>

\*Amount that may be applied as appropriations in aid in addition to the net total, arising from receipts of licence fees.

## Notes to the Main Estimate *(continued)*

### Analysis of Consolidated Fund extra receipts

	£'000					
	2004-05 provision		2003-04 provision		2002-03 outturn	
	Income	Receipts	Income	Receipts	Income	Receipts
Miscellaneous	—	—	—	—	—	708
<b>Total</b>	—	—	—	—	—	<b>708</b>

### Administration Cost Limits and Departmental Expenditure Limits

Administration costs limits			£'000
	Gross provision	Income	Total administration costs limit
Gross administration costs limits	14,035	-14,400	-365
Net administration costs limits	—	—	—

Departmental Expenditure Limits (DEL)			£'000
	Voted*	Non-voted	Total
Resource DEL	1	—	1
Capital DEL	130	—	130
Less depreciation	-346	—	-346
Total DEL	-215	—	-215

- \* i. Capital DEL includes items treated as resource in Estimates and Accounts, but which are treated as part of Capital DEL, under stage 2 of Resource Accounting and Budgeting, as implemented in the 2002 Spending Review
- ii. Excludes EU receipts included in Estimates, but excluded in Budgets
- iii. The removal of depreciation from the Total DEL figure is to prevent a double-counting of capital consumption (since capital DEL already includes capital spending, so to also include the depreciation of those assets would be misleading and would include capital twice). However, because the department covers resource DEL spending through negative DEL receipts the removal of the depreciation figure results in a negative Total DEL number. For spending control purposes it is the individual resource and capital DEL numbers that apply.

### Comparison of provision sought with final provision and forecast outturn

The token provision sought for 2004-05 reflects the classification of receipts from fees received from the water and sewerage companies which enables OFWAT to appropriate in aid the receipts instead of surrendering them to the Consolidated Fund.

## Notes to the Main Estimate *(continued)*

### Cash which may be retained to offset expenditure

Cash which may be retained by the department in the year due to its relationship with income operating and non-operating that has been or will be appropriated in aid.

	<b>£'000</b>		
	<b>2004-05 provision</b>	<b>2003-04 provision</b>	<b>2002-03 outturn</b>
	14,400	14,060	11,825