

# Water Services Regulation Authority

## Introduction

1. This Supplementary Estimate is required for the following purposes:

		Amount (£)	
		<u>Increases</u>	<u>Reductions</u>
<b><u>Changes in resources</u></b>			
<b>RfR 1: Regulation of the Water Industry</b>			
<u>Section</u>	<u>Reason for change</u>		
<b><u>Other changes</u></b>			
<u>Changes in operating appropriations-in-aid (fully offset by changes in spending)</u>			
<b>Thames Tideway Scheme</b>			
A1	Following the decision by Ministers to proceed with the scheme Ofwat is required to spend an estimated £0.220m on commissioning engineering, legal, corporate finance and economics consultants to assess the options to finance, project manage, build and operate the multi billion pound Thames Tideway Scheme. This is additional expenditure required over the remaining months of 2007/08. The budget of the office has been increased by £0.220m. The expenditure will be offset by a special fee charged to Thames Water Services Limited.	220,000	
A5	Thames Water special fee chargeable regarding Thames Tideway Scheme.		-220,000
<b>Competition Appeals Tribunal (CAT) hearings</b>			
A1	Unavoidable expenditure has outstripped the original estimates due to the further work demanded by the CAT. Because of the complexity of the economic and legal arguments and their strategic importance Ofwat has had to commit an additional £0.220m in the sourcing of legal advice and counsel at the current CAT hearings.	220,000	
<b>Competition Appeals Tribunal (CAT) Judgement</b>			
A1	In February 2008 the CAT will announce its latest judgement relating to the water sector. The CAT's decision is expected to result in further unplanned expenditure estimated at up to £0.45m to be incurred by Ofwat in the current financial year.	450,000	
<b>Enforcement action</b>			
A1	During 2007/08 Ofwat gave notice of significant fines for some companies. The legal cost is estimated at £0.200m in the current financial year.	200,000	
<b>Summer floods investigations</b>			
A1	In June and July 2007 severe flooding took place in Yorkshire, Hull and Gloucestershire. Ofwat has started to investigate some of the infrastructure issues relating to the flood in Hull. There is an estimate of £0.100m to commission engineering consultants to carry out studies in Hull. This expenditure was not foreseeable and will be offset by a special fee charged to Yorkshire Water Ltd.	100,000	
A5	Yorkshire Water Ltd special fee chargeable regarding the summer floods investigations.		-100,000

A5	Utilisation of previous years underspends of licence fee receipts to offset unforeseeable cost pressures that have emerged during the financial year.		-870,000
	<u>Token increases</u>		
A1	Token increase to allow additional appropriations-in-aid to be included in the Estimate	1,000	
		<u>Total</u>	<u>1,191,000</u>
	<b>Total change in resources for RfR1</b>		<b>-1,190,000</b>
			<b>1,000</b>
	<b>Total change in resources for Estimate</b>		<b>1,000</b>

**Changes in Capital****RfR 1: Regulation of the Water Industry**

<u>Section</u>	<u>Reason for change</u>	<u>Increases</u>	<u>Reductions</u>
	<b><u>Changes related to movements in budgets</u></b>		
	<u>Take up of End Year Flexibility</u>		
A7	EYF take up of capital provision for expenditure on new IT infrastructure deferred from 2006-07.	117,000	
		<u>Total</u>	<u>117,000</u>
	<b>Total change in capital for Estimate</b>		<b>-</b>
			<b>117,000</b>

- As a result of the above and non-cash adjustments, there is an increase in the net cash requirement of £870,000.
- Symbols are explained in the Introduction to this booklet.

# Water Services Regulation Authority

## Part I

		£
<b>RfR 1: Regulation of the Water Industry</b>	†	<b>1,000</b>
Total additional net resource requirement		1,000
<b>Additional net cash requirement</b>	†	<b>870,000</b>

SUPPLEMENTARY amounts required in the year ending 31 March 2008 for expenditure by the Water Services Regulation Authority on:

### **RfR 1: Regulation of the Water Industry**

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

The **Water Services Regulation Authority** will account for this Estimate.

† Pending passage of the Appropriation Act urgent cash expenditure of £870,000 supporting the service provided for under section A1 will be met by a repayable advance from the Contingencies Fund. There are no implications for resources supporting the services provided for in the Estimate.

## Part II: Changes proposed

Resources	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	£'000
					New Net Provision
<b>RfR 1: Regulation of the Water Industry</b>					
<b>Spending in Departmental Expenditure Limits (DEL)</b>					
RfR 1 - A Water Services Regulation Authority	1	1,191	1,190	1	2
<b>Total RfR 1</b>		<b>1,191</b>	<b>1,190</b>	<b>1</b>	
<b>Total Changes to RfRs</b>		<b>1,191</b>	<b>1,190</b>	<b>1</b>	

Capital and Cash	Present Provision	Change in Provision	£000
			New Provision
Total Capital Expenditure	400	117	517
Non-Operating A in A	-	-	-
<b>Net cash requirement</b>	<b>558</b>	<b>870</b>	<b>1,428</b>

## Part II: Revised subhead detail including additional provision

Resources						Capital		£'000
1	2	3	4	5	6	7	8	
Admin	Other current	Grants	Gross Total	A in A	Net Total	Capital	Non-operating A in A	
<b>RfR 1: Regulation of the Water Industry</b>								
14,191	-68	240	14,363	14,189	174	517	-	
<b>Spending in Departmental Expenditure Limits (DEL)</b>								
<i>Central Government spending</i>								
A Water Services Regulation Authority								
14,191	-	-	14,191	14,189	2	517	-	
<b>Spending in Annually Managed Expenditure (AME)</b>								
<i>Central Government spending</i>								
B Interest on Pension Scheme Liabilities								
-	-68	240	172	-	172	-	-	
<b>Total for Estimate:</b>								
14,191	-68	240	14,363	14,189	174	517	-	

## Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+) Decrease (-)</u>	<u>£'000</u> <u>Revised</u>
<b>Net Resource Requirement</b>	<b>173</b>	<b>1</b>	<b>174</b>
<b>Voted capital items</b>			
Capital	400	117	517
<i>Less: Non-operating A in A</i>	-	-	-
<b>Total net voted capital</b>	<b>400</b>	<b>117</b>	<b>517</b>
<b>Accruals to cash adjustment</b>			
Adjustments to remove non-cash items:			
Cost of Capital charges	105	-	105
Depreciation	-190	-	-190
New provisions and adjustments to previous provisions	-240	125	-115
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-33	-	-33
Increase(+)/decrease (-) in stock	-	-	-
Increase(+)/decrease (-) in debtors	-	-	-
Increase(-)/decrease (+) in creditors	181	627	808
Use of provisions	162	-	162
<b>Total accruals to cash adjustments</b>	<b>-15</b>	<b>752</b>	<b>737</b>
<b>Excess cash to be CFERd</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Cash Requirement</b>	<b>558</b>	<b>870</b>	<b>1,428</b>

## Part III: Extra receipts payable to the Consolidated Fund

In addition to Appropriations in aid, the following income and receipts relate to the department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	<u>Present provision</u>		<u>New provision</u>	
	<u>Income</u>	<u>Receipts</u>	<u>Income</u>	<u>Receipts</u>
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	-	-	28,800	<i>8,500</i>
Excess receipts to be surrendered to the Consolidated Fund	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>28,800</b>	<b><i>8,500</i></b>

## Forecast Operating Cost Statement

	£'000
	2007-08 provision
<b>Net Administration Costs</b>	
RfR1	2
<b>Total Net Administration Costs</b>	<b>2</b>
<b>Net Programme Costs</b>	
RfR1	172
Non-voted	-
Reduction in forecast operating costs not included in Estimate	-146
<b>Total Net Programme costs</b>	<b>26</b>
<b>Total Net Operating Cost</b>	<b>28</b>
<i>of which:</i>	
<b>Net Resource Requirement</b>	<b>174</b>
Non-voted expenditure	-
Consolidated Fund Extra Receipts	-
Reduction in forecast operating costs not included in Estimate	-146
<b>Resource Budget</b>	<b>28</b>

## Notes to the Estimate

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

	£'000
	2007-08 Provision
<b>Net Resource Requirement (Estimates)</b>	<b>174</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	-
Reduction in planned spending unable to be included in the Estimate	-146
Other adjustments	-
<b>Net Operating Costs (Accounts)</b>	<b>28</b>
<i>Adjustments to remove:</i>	
Gains/losses from sale of capital assets	-
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	-
<b>Resource Budget (Budget)</b>	<b>28</b>
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	2
Annually Managed Expenditure (AME)	26

### Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2007-08 Provision
<b>Net Voted Capital (Estimates)</b>	<b>517</b>
<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	-
<b>Capital Budget (Budget)</b>	<b>517</b>
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	517
Annually Managed Expenditure (AME)	-

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## Notes to the 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 appointments for the Requests for Resources within this Estimate.

**Request for Resources 1**                      Regina Finn, Chief Executive

Regina Finn as the Accounting Officer of the Water Services Regulation Authority 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 Department for Transport.

The responsibilities of an Accounting Officer are set out in chapter 3 of Managing Public Money. 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 Estimate (*continued*)

### Analysis of operating appropriations in aid (A in A)

	£'000
	2007-08 Provision
<b>RfR 1: Regulation of the Water Industry</b>	
<b>Administration</b>	<b>14,189</b>
<i>of which:</i>	
Sale of goods and services	100
Regulatory licences, fines , penalties and taxes	14,089
<b>Programme</b>	<b>-</b>
<i>of which:</i>	
Pension scheme related income	-
<b>Total RfR1</b>	<b>14,189 †</b>
<i>† 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 .</i>	
<b>Total Operating A in A</b>	<b>14,189</b>

## Notes to the Estimate (*continued*)

### Analysis of Consolidated Fund extra receipts

	£'000	
	2007-08 provision	
	Income	Receipts
Fines and penalties●	28,800	8,500
<b>Total</b>	<b>28,800</b>	<b>8,500</b>

### Departmental Expenditure Limits and Administration Budgets

	Change		New DEL		£'000
	Voted	Non-voted	Voted	Non-voted	Total
Resource DEL	1	-	2	-	2
<i>of which:</i>					
Administration budget*	-	-	1	-	1
Near-cash in RDEL	-20	-	-205	12	-193
Capital**	-	-	517		517
Less Depreciation†	-	-	-190	-	-190
Total	1	-	329	-	329

\* The total of '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.

### Cash which may be retained to offset expenditure

	£'000
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	14,189

