

Office of Water Services

Introduction

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

Amount £

Changes in resources

RfR 1: Regulation of the Water Industry

Neutral changes:

Increased spending offset by income

Ofwat will incur £400k of additional expenditure as a result of Competition Act 98 legal costs and organisational change arising from the creation of the Water Services Regulation Authority. This expenditure will be funded by additional licence fee income received from water and sewerage companies. 1,000

In addition adjustment is required to Ofwat income and expenditure budgets to recognise the provision by Ofwat of a range of support services to the newly formed Consumer Council for Water. The value of the services provided is £300k, which will be funded by matching income under appropriations in aid. This is a presentational change to record gross income and expenditure separately. Provision for this expenditure has already been included in the 2005-06 budget for the Consumer Council for Water.

Total change in resources for RfR1 **1,000**

Changes in capital

An increase planned in capital expenditure from £300k to £400k, representing an investment in computer hardware and related equipment 100,000

Total change in capital for Estimate **100,000**

2. The net cash requirement remains unchanged at £507,000
3. Symbols are explained in the Introduction to this booklet.

Part I

	£
RfR 1: Regulation of the Water Industry	1,000
Total additional net resource requirement	1,000
Additional net cash requirement	-

SUPPLEMENTARY amounts required in the year ending 31 March 2006 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.

Part II: Changes proposed

Resources	£'000				
	Present Net Provision	Change in Gross Provision	Change in A in A	Change in Net Provision	New Net Provision
RfR 1: Regulation of the Water Industry					
Spending in Departmental Expenditure Limits (DEL)					
RfR 1 - A Office of Water Services	2	700	699	1	3
Total RfR 1		700	699	1	

	£000		
	Present Provision	Change in Provision	New Provision
Capital and Cash			
Total Capital Expenditure	300	100	400
Non-Operating A in A	-	-	-
Net cash requirement	507	-	507

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	
RfR 1: Regulation of the Water Industry								
12,101	-	-	12,101	12,098	3	400	-	
Spending in Departmental Expenditure Limits (DEL)								
<i>Central Government spending</i>								
A Office of Water Services								
12,101	-	-	12,101	12,098	3	400	-	
Total for Estimate:								
12,101	-	-	12,101	12,098	3	400	-	

Part II: Resource to cash reconciliation

	<u>Present</u>	<u>Increase (+)/ Decrease (-)</u>	£'000 <u>Revised</u>
Net total Resources	2	1	3
Voted capital items			
Capital expenditure	300	100	400
<i>Less:</i> non-operating A in A	<u>-</u>	<u>-</u>	<u>-</u>
Total net voted capital	300	100	400
Accruals to cash adjustment			
Adjustments to remove non-cash items:			
Cost of Capital charges	45	-	45
Depreciation	-447	-	-447
New provisions and adjustments to previous provisions	-140	-	-140
Profit/loss on sale of assets	-	-	-
Prior period adjustments	-	-	-
Other non-cash items	-32	-	-32
Increase(+)/decrease (-) in stock	-	-	-
Increase(+)/decrease (-) in debtors	-	-	-
Increase(-)/decrease (+) in creditors	680	-100	580
Use of provisions	<u>100</u>	<u>-</u>	<u>100</u>
Total accruals to cash adjustments	206	-100	106
Adjustment to remove token increase in cash	-1	-1	-2
Excess cash to be CFERd	-	-	-
Net cash requirement	507	-	507

Part III: Extra receipts payable to the Consolidated Fund

As in existing provision

Forecast Operating Cost Statement

		£'000
		2005-06 provision
Net Administration Costs		
RfR 1	<u>3</u>	
Total Net Administration Costs		3
Net Programme Costs		
RfR 1	<u>-</u>	
Total Net Programme costs		-
Total Net Operating Cost		3
<i>of which:</i>		
Net Resource Outturn		3
CFERs		-
Non-voted expenditure		-
Resource Budget Outturn		3

Notes to the Estimate

Reconciliation of resource expenditure between Estimates, Accounts and Budgets

	£'000
	2005-06 Provision
Net Resource Outturn (Estimates)	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 (CFERS) in the OCS	-
Other adjustments	
Net Operating Costs (Accounts)	3
<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	-
Resource Budget Outturn (Budget)	3
<i>of which:</i>	
Departmental Expenditure Limit (DEL)	3
Annually Managed Expenditure (AME)	-

Reconciliation of capital expenditure between Estimates and Budgets

	£'000
	2005-06 Provision
Net Voted Capital Outturn (Estimates)	400
<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 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	-
Capital Budget Outturn (Budget)	400
<i>of which:</i>	
Departmental Expenditure Limits (DEL)	400
Annually Managed Expenditure (AME)	-

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

Philip Fletcher, Director General

Philip Fletcher, as the Principal Accounting Officer (PAO) of the Office of Water Services has personal responsibility for the proper presentation of the Office of Water Service's resource accounts as prescribed in legislation or by the Treasury and their transmission to the Comptroller and Auditor General. The PAO as the permanent head, in addition to the responsibilities for the assigned RfR, 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 the 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 available resources. In addition, the Accounting Officer must ensure that there is a sound system of internal control to support the achievement of the Office of Water Service's policies, aims and objectives; and should regularly review the effectiveness of that system.

Notes to the Estimate (*continued*)

Analysis of appropriations in aid (A in A)

	£'000	
	2005-06 Provision	
	Operating A in A	Non operating A in A
RfR 1: Regulation of the Water Industry		
Licence fees	12,098	-
Total RfR 1	12,098 *	-
<i>of which: Administration budgets</i>	-	-

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

Notes to the Estimate (*continued*)

Departmental Expenditure Limits and Administration Budgets

As announced to the House of Commons, the Office of Water Services Departmental Expenditure Limit will change as follows:

	Change	New DEL		£'000
		Voted	Non-voted	Total
Resource	-	3	-	3
<i>of which :Administration Budget</i>	-	-1	-	-1
Capital	-	400	-	400
Depreciation*	-	-447	-	-447
Total	-	-44	-	-44

**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	12,098