

March 2017

Trust in water

Ofwat's forward programme 2017-18

www.ofwat.gov.uk

ofwat

About our forward programme

Welcome to our forward programme for the financial year 2017-18. Our work programme is designed to help us deliver our strategy, 'Trust in water'.

Our forward work programme reflects changes since and as a result of our consultation on our draft forward programme between 23 January and 13 February 2017. The responses we received are available on our website.

Our strategy is the means through which we fulfil our statutory responsibilities. We also carry out our relevant functions in accordance with the strategic policy statements (SPSs) we receive from the UK and Welsh Governments.

Each government is currently preparing an SPS for us, which will shortly replace their existing guidance. So, we have described how our [work programme aligns with their draft priorities and objectives](#).

We have agreed this approach with the UK and Welsh Governments.

We continually review what we do to make sure we are delivering the right things in

an efficient way and that our own priorities are in line with both governments' priorities as set out in their SPSs to us. This includes simplifying our approach to regulation.

More information about who we are and what we do can be found on our website at www.ofwat.gov.uk.



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We operate within the overall strategic and policy framework set out by the UK Government and Welsh Government for the water sector in England and Wales respectively.

We will reflect changes in this framework, for example those that may result from the Wales Act 2017, in our regulation.

Where necessary, and taking into account specific circumstances, we will adopt a different approach for English and Welsh companies in the way we regulate.

Wales

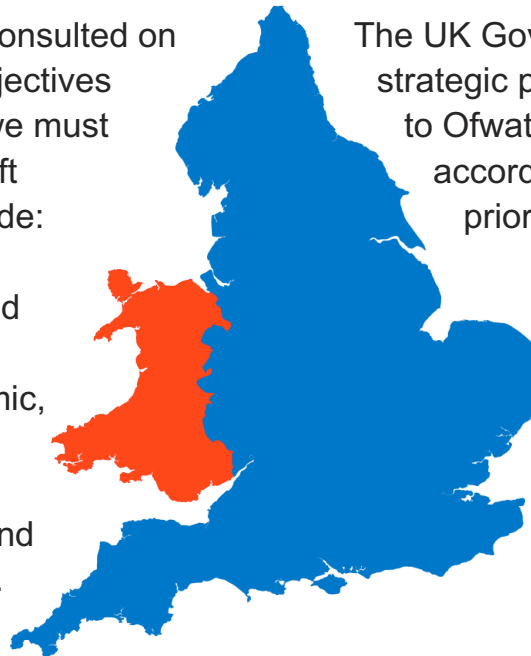
The Welsh Government has consulted on its 'Strategic Priorities and Objectives Statement to Ofwat' – which we must act in accordance with. Its draft priorities (among others) include:

- affordable bills for current and future customers;
- improving the social, economic, environmental and cultural wellbeing of Wales;
- not extending competition; and
- long-term, resilient solutions.

England

The UK Government is consulting on its strategic priorities and objectives statement to Ofwat – which we must act in accordance with. Its draft headline priorities include:

- securing long-term resilience;
- protecting customers; and
- making markets work.



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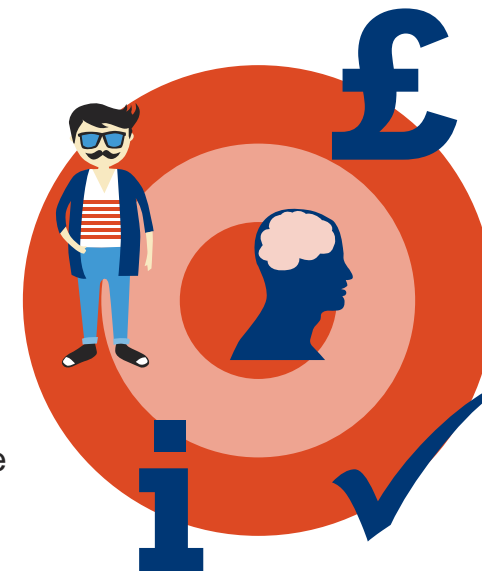
Expenditure

Our priorities

Our priorities are the areas where we can make the biggest impact for customers.

We review our priorities each year to make sure we are delivering the maximum benefit to customers. Our priorities are as follows.

- Working with and challenging the sector to improve the customer experience in particular by improving resilience, delivering a step change in customer service, maintaining affordability and driving efficiency.
- Improving information and transparency in the sector to hold companies to account.
- Supporting the development and investability of markets, to enable the sector to deliver more for less.
- Securing stakeholder engagement and support for change.
- Ensuring Ofwat has the skills, experience, systems, processes and culture to deliver the strategy.



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Strategy and planning

Establishing our strategy, using it and our engagement with stakeholders to drive what we do and monitoring progress towards our vision for the sector.

Finance and governance

Helping companies to develop and demonstrate service, financial and corporate resilience – and ensuring changes in ownership are in the best interests of customers.

Water 2020

Developing future markets and ways of regulating, including delivering the upstream reforms set out in the Water Act 2014 and our approach to the 2019 price review.

Our programmes are packages of work to meet our priorities

Our shared vision for the water sector is that customers and wider society have trust and confidence in the vital public water and wastewater services the water sector provides



Market outcomes and enforcement

Monitoring the markets we regulate (including the business retail, [new appointments and variations](#) and [new connections](#) markets) to ensure customers and society benefit from the improved outcomes they deliver.

Thames Tideway Tunnel

Establishing and operating the regulatory framework for the Thames Tideway Tunnel, in the best interests of customers, the environment and society.

Compliance, assurance and improvement

Embedding and monitoring compliance, so that customers and other stakeholders have trust and confidence that Ofwat is a well-run public body.

Fit for the future

Delivering interventions and initiatives to ensure Ofwat has the right skills, systems, processes and culture to deliver our strategy.

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April to June 2017 milestones

Strategy and planning

Contribute to the National Infrastructure Commission's assessment of water and wastewater infrastructure.

Host a cross-sector event on water and wastewater resilience to bring together thinking across the community, and share learning, approaches and expectations.

Host a cross-sector event on customers, with a focus on the findings of our customer data work stream.

Market outcomes and enforcement

Following the business retail water market being opened by the UK Government on 1 April 2017, begin monitoring the market.

Consult on our codes for the agreements regional and small companies operating wholly or mainly in England enter into in order to adopt infrastructure for new connections that has been provided by other parties ('adoption agreements'). This is to help ensure the new connections market is working well and supports housing growth.

Finance and governance

Stakeholder event for non-executive directors of companies to improve dialogue between Ofwat and company Boards and encourage good corporate governance.

Thames Tideway Tunnel

Decision whether to approve a variation to the Tideway works. Varying the works will enable Thames Water's proposed flood alleviation scheme (Counters Creek) to flow into the Tideway Tunnel.

Compliance, assurance and improvements

Publish and lay our annual report and accounts 2016-17 before the UK Parliament and National Assembly for Wales to account for our work and expenditure during the year.

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July to September 2017 milestones

Water 2020

As part of our preparation for the 2019 price review, consult on our draft methodology for setting the price limit, performance commitment and incentive framework ('price controls') for regional water and wastewater companies. This will set out our proposed expectations for companies' business plans in terms of affordability, customer engagement, service and water and wastewater resilience for the period 2020 to 2025.

Market outcomes and enforcement

Engage stakeholders on the findings of our market study into how the market for new appointments and variations is working, including potential actions to address any issues identified by the study.

Finance and governance

Introduce a pilot data capture system for collecting information from regional companies' annual performance reports in a more efficient way.

Consult on changes to our guidance for regional companies' annual performance reports in light of our consultation on business planning expectations for our 2019 price review.

Fit for the future

Following our selection scheme, our new graduates will start with us in September to support critical skills development as part of our strategic workforce plan.

Test the market to find a partner to assist us with assessing how we deliver our corporate enabling services.

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Water 2020

Consult on and determine the in-period rewards and penalties for outcome delivery incentives for three regional water and wastewater companies, based on their performance during 2016-17.

Following our consultation, publish our final methodology for setting the price controls for regional companies beyond 2020.

Implement a training programme to prepare our staff for the 2019 price review.

Publish rules for companies based wholly or mainly in Wales must use in setting their charges, subject to enabling work from the Welsh Government.

Finance and governance

Publish results of our analysis of regional companies' performance, financial resilience, service resilience and board leadership, transparency and governance to hold them to account.

Assess regional companies against our company monitoring framework to challenge them to publish good quality information about their performance for customers and others.

Complete changes to companies' licences to make them more streamlined.

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Thames Tideway Tunnel

Two-year review of progress on Thames Tideway Tunnel.

Market outcomes and enforcement

Publish updated guidance on how we consider sewer flooding complaints where a customer thinks a company is not meeting its statutory duty to ensure its area is effectually drained.

Issue our final codes for adoption agreements to regional and small companies operating wholly or mainly in England to support the new connections market.

Fit for the future

Publish our refreshed People strategy.

Implement systems to improve information management and support more efficient processes.

January to March 2018 milestones

Strategy and planning

Consult on our draft forward programme of work for 2018-19 to get feedback from our stakeholders on our plans, and publish the final version ahead of the new financial year.

Publish our updated five-year business plan for 2018-19 to 2022-23.

Water 2020

Begin our assessment of regional and small companies' draft water resource management plans during the 12-week public consultation period. The public consultation period will start in England in January 2018 and in Wales in March 2018.

Market outcomes and enforcement

Publish the first performance results on the business retail market, which opens to full competition in England in April 2017, as part of our market monitoring framework.

Finance and governance

Carry out a detailed assessment ('targeted review') of service area to hold service providers to account and encourage better services for customers and wider society.

Consult on changes to our guidance to regional companies in preparing their annual report for 2018-19 to improve accountability.



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We aim to fulfil our responsibilities effectively and efficiently.

Our expenditure requirements are met by licence fees, which customers ultimately pay for in their water and wastewater bills. We recover these licence fees from the water companies we regulate.

We continuously seek improvements in the value for money we deliver and innovation in the ways we work.

Licence fee	£ million
Core Ofwat budget	24.2
Water Supply and Sewerage Licensing (WSSL)	1.0
Thames Tideway*	0.5
Total	25.7

* Recovered from Thames Water and Tideway respectively.

Changes to our planned work

As part of our role we are required to carry out a range of reactive work such as licensing of companies and licence enforcement investigations. We plan our resources on the basis of a certain level of these activities but if we receive more than expected we may need to reprioritise other work. We will notify stakeholders where there are significant changes.

Collaboration with other regulators

We can develop more efficient and effective regulation by learning from other sectors and working closely with other regulators. We contribute directly to the work of the [UK regulators network](#), and draw on the network to inform our own work.

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Ofwat (The Water Services Regulation Authority) is a non-ministerial government department. We regulate the water sector in England and Wales. Our vision is to be a trusted and respected regulator, working at the leading edge, challenging ourselves and others to build trust and confidence in water.

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