

April 2018

Trust in water

# Ofwat's forward programme 2018-19



[www.ofwat.gov.uk](http://www.ofwat.gov.uk)

**ofwat**

# Foreword



Welcome to our forward programme for the financial year 2018-19. Our work programme is designed to help us deliver our strategy, 'Trust in water'.

The [UK Government's Strategic Priorities and Objectives Statement to Ofwat](#) was published in November 2017. The [Welsh Government's Strategic Priorities and Objectives Statement](#) was published in January 2018. In the annex to this document, we have summarised how our work in 2018-19 supports their respective visions for the water sector.

Our priorities are the areas where we can make the biggest impact for customers now and in the future. We continually review our priorities to make sure we are delivering the maximum benefit and addressing the current challenges relating to the sector. Our strategic priorities are:

- **Delivering more for less for customers** including through innovation, by regulating monopolies and developing markets.
- **Holding companies to account** for good customer outcomes – by taking action when things go wrong, improving transparency and requiring companies to put customer interests at the heart of all they do.
- **Taking a long-term view of the sector**, the impact of continuing environmental

change, the development of the economy and customers' changing expectations, to see how regulation, and Ofwat as regulator, can evolve.

- **Ensuring Ofwat is fit for the future**, with the right culture, skills, governance, systems and processes.

2018-19 promises to be a significant and busy year for Ofwat. Following the publication of our [final methodology](#) for 2019 price review in December 2017, we will deliver an ambitious and transformative price review – driving positive change in the sector to deliver the services that matter most, while ensuring we are tackling challenging issues and using our regulatory tools where needed.

Alongside this work we will continue to actively monitor the business retail market, which

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opened to competition a year ago and take action, where necessary, to support the development of this market to promote positive outcomes for customers.

We will also have a strong focus on bringing the corporate behaviours of the sector in line with those expected from companies delivering essential services.

We will continue to engage with stakeholders and the sector on strategic issues such as financial resilience, innovation potential and the long-term development of the industry.

We will continue to deliver, while ensuring our people are equipped to meet the challenges of the year ahead, ensuring we operate in line with our values, provide value for money, adopt the right culture which will enable excellent engagement with our stakeholders and continue to operate as a 'trusted regulator'.



**Rachel Fletcher**  
Chief Executive

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# Regulation in England and Wales

## Ofwat

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.

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 adopted its Strategic Policies and Objectives Statement for Ofwat in January 2018, which we must act in accordance with alongside our other statutory duties. The priorities and objectives it sets out focus on:

- long-term affordability and resilience;
- innovation; and
- the sustainable management of natural resources.



## England

The UK Government published its Strategic Priorities and Objectives Statement for Ofwat in November 2017, which we must act in accordance with alongside our other statutory duties. Its priorities focus on:

- securing long-term resilience;
- protecting customers; and
- making markets work to further achievement of the first two priorities.

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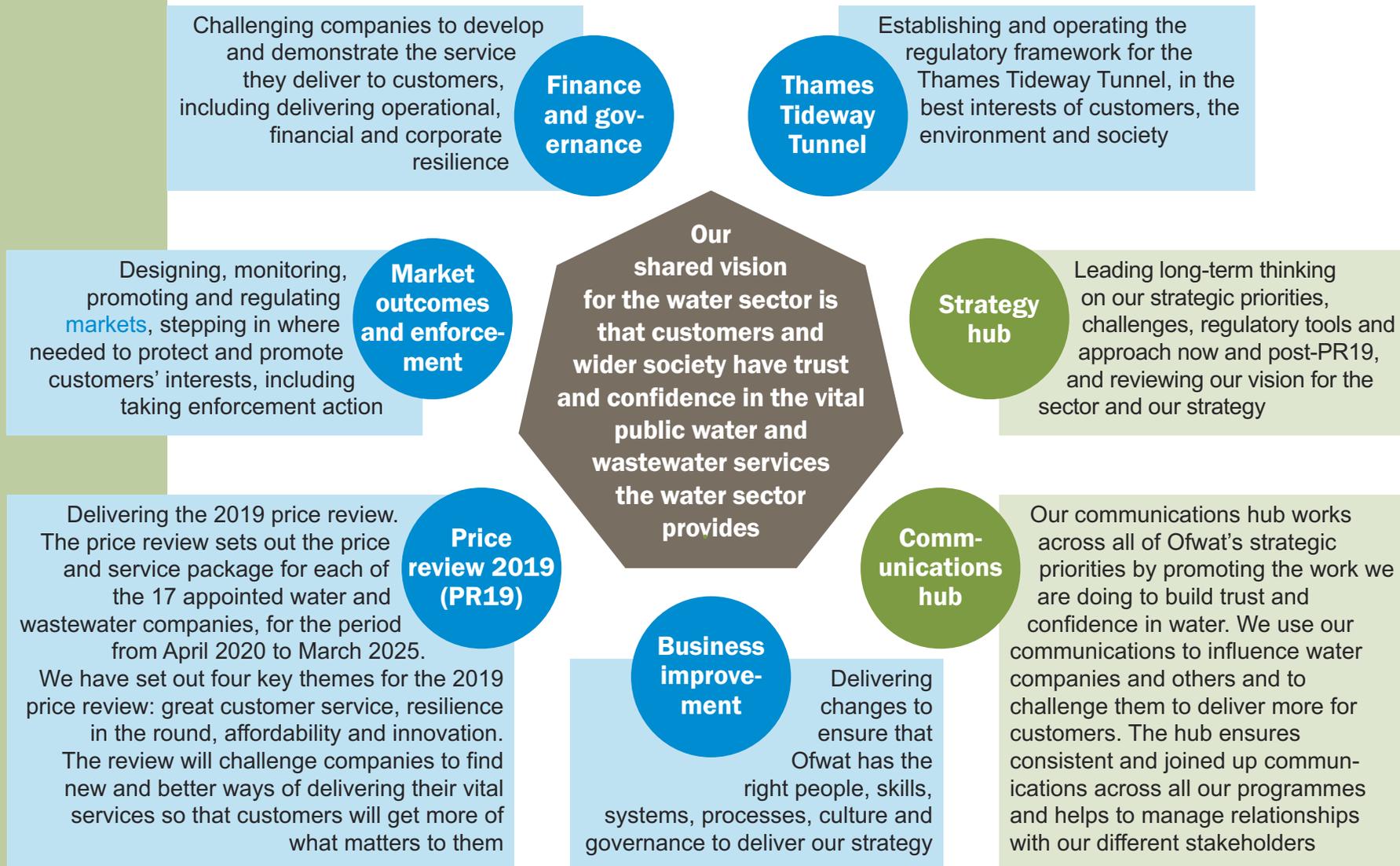
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# Our programmes

Our programmes are packages of work to meet our priorities



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# April to June 2018 milestones

## Business improvement

Publish and lay our annual reports and accounts 2017-18 before the UK Parliament and National Assembly for Wales to account for our work and expenditure during the year, and explain how we have contributed to delivering the strategic priorities and objectives set for us by the UK and Welsh Governments.

## Finance and governance

Consult on revised board leadership, transparency and governance principles. We will revise the principles to make sure that they remain fit for purpose, reflect recent developments in corporate governance and that companies are operating to the highest standards. This will help make companies more resilient and build the trust and confidence of stakeholders in the companies.

## PR19

Publish our feedback to appointed companies on their allocation of their Regulatory Capital Value to the Water Resources price control.

Pilot the Customer Measure of Experience (C-MeX) and Developer Measure of Experience (D-MeX) with appointed companies. These pilots are important to help us understand how we can best use these incentives to encourage companies to improve customer experience and innovate.

Provide analysis and advice to the National Infrastructure Commission in developing its first National Infrastructure Assessment.

## Communications hub

Launch a conversation with the sector, and wider society, to understand perceptions and priorities for the sector. As part of this we will look to the sector to step forward with their own analysis, and suggestions for future developments.

## Thames Tideway Tunnel

Two-year review of progress on Thames Tideway Tunnel considering lessons learned and potential wider use of approach.

## Strategy hub

We will review the significant water supply issues customers experienced in England and Wales during the freeze and thaw of February and March 2018. The review will look at the causes of the problems, the preparedness of companies, the support given to customers and communication with them during and after the incident and whether the compensation offered to those affected was fair and speedy.

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# July to September 2018 milestones

## Market outcomes and enforcement

Publish our first Annual State of the Market report setting out our assessment of the effectiveness of competition in the first year of the business retail market and our customer insight survey setting out eligible customers' views of the market.

Publish the rules that companies based wholly or mainly in Wales must use in setting their charges.

## PR19

Receive each appointed company's business plan for 2020-25 (by 3 September 2018). This represents the start of the 15-month process leading to our final determinations in December 2019.

## Strategy hub

Conclude the first phase of a strategy review, to refresh our approach to regulation and our objectives for the sector.

## Business improvement

Following our selection scheme, our 2018-19 graduates will start with us in September to support critical skills development as part of our strategic workforce plan.

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# October to December 2018 milestones

## PR19

Consult on and determine the in-period underperformance penalties and outperformance payments for three regional water and wastewater companies, based on their performance during 2017-18. This process incentivises companies' management to deliver what matters to their customers, and also ensures that bills reflect recent service performance.

## Strategy hub

Working together with UKRN we will build on our 2017 report on data sharing, by reporting progress made by companies to share data to assist customers in situations of vulnerability, and consider whether there are any regulatory barriers to effective data sharing which we and other regulators need to remove.

## Market outcomes and enforcement

As part of our code for [adoption agreements](#), consider and approve the guidance and model agreement the sector has developed for water infrastructure adoption agreements to ensure the effectiveness of the [new connections market](#) and contribute to housing growth in England.

## Business improvement

Within the continuous improvement of our systems and processes, we will deliver a new intranet and payroll service to ensure Ofwat is efficient and effective and providing value for money.

## Finance and governance

Publish guidance to appointed companies in preparing their [annual performance report](#) for 2018-19.

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# January to March 2019 milestones

## PR19

Publish our initial assessment of appointed companies' business plans. We want companies to produce high-quality, ambitious and innovative business plans, pushing forward the performance and efficiency of the sector for customers. We will categorise company business plans into four categories (significant scrutiny, slow-track, fast-track, or exceptional) depending on the level of quality, ambition and innovation demonstrated.

Make our draft decisions ('draft determinations') of appointed companies whose plans we categorise as 'exceptional' or 'fast track' (March-April 2019).

Publish our assessment of appointed companies against our company monitoring framework to challenge them to publish good quality information about their performance for customers and others.

## Business improvement

Develop a new IT and Digital Strategy, to optimise our IT capability and maximise the potential for digital transformation in Ofwat.

Develop and implement our refreshed People Strategy for getting the most from our people.

Consult on our draft forward programme of work for 2019-20 to get feedback from our stakeholders on our plans, and publish the final version ahead of the new financial year.

Publish our updated two-year rolling business plan for 2019-20 to 2020-21.

## Market outcomes and enforcement

Publish a discussion paper about how our codes for adoption agreements ensure the market for new connections works more effectively for companies operating wholly or mainly in Wales.

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# Expenditure

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                          | 30.1      |
| Water Supply and Sewerage Licensing (WSSL) | 1.2       |
| Thames Tideway*                            | 0.5       |
| Total                                      | 31.8      |

\* Recovered from Thames Water and Tideway.

## 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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