

Presented to Parliament pursuant to Schedule 3a of the Water Industry Act 1991 as amended by the Water Act 2003.

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# Consumer Council for Water

## Annual Report and Accounts 2009-10

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## ANNUAL REPORT

### INTRODUCTION

The Consumer Council for Water (CCWater) is a non-departmental public body established on 1 October 2005 under the Water Industry Act 1991 as amended by the Water Act 2003 to represent consumers of water and sewerage services in England and Wales. It replaced the WaterVoice committees, which were part of the industry economic regulator, the Office of Water Services (Ofwat), to become an independent statutory consumer body.

This annual report and accounts covers the period 1 April 2009 to 31 March 2010.

Under the Water Industry Act 1991 as amended by the Water Act 2003, the Secretary of State for the Environment, Food and Rural Affairs with the consent of HM Treasury has directed CCWater to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of CCWater and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

CCWater has an English regional and Welsh structure to reflect the significant geographic variations in water and sewerage provision and to keep in touch with consumers in their local communities. It has offices in Cardiff, Cambridge, Birmingham, Darlington, Manchester, London, Bristol and Exeter. The headquarters of the organisation are in Birmingham and it has four committees in England and one in Wales.

The joint sponsors of the organisation are the Department for Environment, Food and Rural Affairs (Defra) and the Welsh Assembly Government. CCWater is funded by water consumers through a charge to water and sewerage companies in England and Wales by Ofwat. The amount is then passed to Defra and Welsh Assembly Government to fund CCWater's operations.

The Water Act 2003 gives CCWater the following functions and duties:

- to have regard to the interests of consumers of water and sewerage services in England and Wales, including certain vulnerable customers and customers that are not able to switch suppliers under the Act's competition measures;
- to handle and investigate consumer complaints in respect of water and sewerage companies;
- to obtain and keep under review information about consumer matters and the views of consumers on such matters;
- to make proposals, provide advice and information and represent the views of consumers to public authorities, water and sewerage companies and others whose activities may affect the interests of consumers;
- to provide advice and information to consumers;
- to publish statistical information about complaints to and about water companies;
- to investigate any matters of interest to consumers that are not necessarily the subject of a complaint.

CCWater also has super complainant status under the Enterprise Act 2002.

The English Regional Committees and the Welsh Committee have the following functions:

- to provide advice and information to CCWater on consumer matters affecting the areas of the water and sewerage undertakers allocated to it;
- to handle and investigate consumer complaints in respect of water and sewerage undertakers allocated to it;
- to audit the customer complaint systems of water and sewerage undertakers allocated to it; and
- any other functions delegated to it by the Board of CCWater.

## ROLES AND RESPONSIBILITIES

The membership of the Board as at 31 March 2010 was:

		Appointed:	Re-Appointed:	Term:
Council Chair	Dame Yve Buckland	1 April 2005	1 April 2009	4 yrs
Chief Executive	Tony Smith	1 December 2005		open ended
English Regional Committees Chairs:				
Central and Eastern	Sir James Perowne	1 December 2007	1 September 2008	4 yrs
Northern	Andrea Cook OBE	1 October 2005	1 July 2009	4 yrs
London and South East	David Bland OBE	1 December 2007	1 September 2008	4 yrs
Western	Charles Howeson	1 October 2005	1 July 2009	4 yrs
Wales Committee Chair:				
	Diane McCrea	1 October 2005	1 October 2009	4 yrs
Independent Members:				
	Michael Barnes	1 November 2005	1 November 2009	4 yrs
	Timothy Hornsby CBE	1 October 2005	1 July 2009	4 yrs
	Colette Isaaks	1 September 2008		4 yrs
	Narendra Makanji	1 November 2005	1 November 2009	4 yrs

### Board Appointments

The English Regional Committee Chairs and Independent members were appointed by the Secretary of State. The Welsh Ministers appoint the Wales Committee Chair. All appointments were made in line with the Code of Practice issued by the Commissioner for Public Appointments.

### Executive Appointments

The Chief Executive was appointed by the Secretary of State as a member of the Board. Tony Smith took up his appointment as Chief Executive on 1 December 2005. The Chief Executive, on his appointment, was designated as the Accounting Officer by the Accounting Officer of the Department for Environment, Food and Rural Affairs.

### Board Directorships

CCWater maintains a Register of Interests, which is freely available to be viewed by the public on request to the Head of Corporate Services.

### Standing Committees

CCWater has three committees reporting directly to the Board:

1. Audit and Risk Management Committee;
2. Finance and Resources Committee; and
3. Remuneration Committee.

The membership of the committees as at 31 March 2010 was:

## Audit and Risk Management Committee

### Independent members

Michael Barnes - Chair  
Narendra Makanji

### Regional / Wales Chairs

James Perowne  
David Bland

### In attendance

Chief Executive & Accounting Officer  
Head of Corporate Services  
Board Secretary  
Finance and Resource Manager  
External Audit Representative(s)  
Internal Audit Representative(s)

Membership is reviewed and confirmed by the Board annually at the end of the financial year. The committee met four times in the period to 31 March 2010.

The role of the committee is to:

- promote the highest standards of propriety in the use of public funds by CCWater and its regional committees including the Committee for Wales and encourage proper accountability for the use of those funds;
- advise CCWater on anything that affects the financial health, probity or external reputation of the organisation;
- ensure the system of internal controls of CCWater complies with HM Treasury requirements; and
- ensure the internal systems within the organisation at national and regional levels promote a climate of financial discipline and internal control which will help to reduce the opportunity for financial mismanagement, will satisfy CCWater that it will achieve its key objectives and targets and is operating in a manner which will make most economic and effective use of resources available.

## Finance and Resources Committee

### Independent members

Timothy Hornsby - Chair  
Colette Isaaks

### Regional / Wales Chairs

Charles Howeson  
Diane McCrea

### In attendance

Chief Executive & Accounting Officer  
Head of Corporate Services  
Board Secretary  
Finance and Resource Manager

Membership is reviewed and confirmed by the Board annually at the end of each financial year. The committee met twice in the 12 month period to 31 March 2010.

The role of the committee is to:

- oversee the use of CCWater's resources via the corporate planning process; and
- oversee arrangements for staffing and the Human Resources strategy of CCWater.

## Remuneration Committee

### Independent members

Narendra Makanji - Chair  
Colette Isaaks

### Regional Chairs

Sir James Perowne  
Andrea Cook

### In attendance

Board Secretary  
Other individuals by invitation

Membership is reviewed and confirmed by the Board annually at the end of the financial year. The committee met twice in the 12 month period to 31 March 2010.

The role of the committee is to:

- advise CCWater on the initial appointment, remuneration terms and performance objectives of the Chief Executive;

- receive from the Chair, who is responsible for the monitoring and evaluation of the Chief Executive, recommendations with regard to performance objectives, any changes to the salary and performance bonus of the Chief Executive and then to determine on behalf of CCWater the performance objectives and whether the Chief Executive should receive any increases in salary or performance bonus subsequent to this initial appointment and the amount of any such increases;
- act on behalf of Council in relation to staff remuneration, including: staff pay, terms and conditions of staff (in addition to those relating directly to the Chief Executive), redundancy and redeployment, job evaluation; and
- receive and review at suitable intervals, not less than once a year, a report by the Chief Executive on the performance of senior executives reporting directly to him/her in order to give any comments to be considered by the Chief Executive in any future appraisals.

### **Pension Liabilities**

The main pension scheme for CCWater is the Principal Civil Service Pension Scheme (PCSPS). This is a defined benefit, unfunded scheme. The payment of benefits from the scheme are borne by the Civil Service Superannuation Vote. The pension liabilities arising from CCWater's employees' membership of the PCSPS are not provided for in these accounts in accordance with HM Treasury's instructions and as described in note 2 to the accounts.

### **Internal Audit**

Internal audit services during 2009-10 were provided by KPMG. The service provided an independent appraisal service for management by measuring and auditing the adequacy, reliability and effectiveness of management and financial control systems. KPMG made recommendations based on the appraisal of each system reviewed. The cost of the internal audit for 2009-10 was £30,330.

### **External Audit**

The accounts have been audited by the Comptroller and Auditor General in accordance with the Water Industry Act 1991. The audit certificate is on pages 20 to 21. The cost of providing audit services in respect of the Annual Report and Accounts 2009-10 was £37,000. An additional amount of £4,000 will be charged for the audit of International Financial Reporting Standards shadow account. There was no external auditor remuneration for non-audit work.

In so far as the Accounting Officer is aware, there is no relevant audit information of which CCWater's auditors are unaware, and the Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that CCWater's auditors are aware of that information.

## MANAGEMENT COMMENTARY

The objective of this Management Commentary within the Annual Report and Accounts is to give a balanced and comprehensive analysis of:

- the development and performance of the business of CCWater during the financial year;
- the position of CCWater at the end of the year;
- the main trends and factors underlying the development, performance and position of the business of CCWater during the financial year; and
- the main trends and factors that are likely to affect CCWater's future development, performance and position.

### Development and Performance

We have had a number of successes:

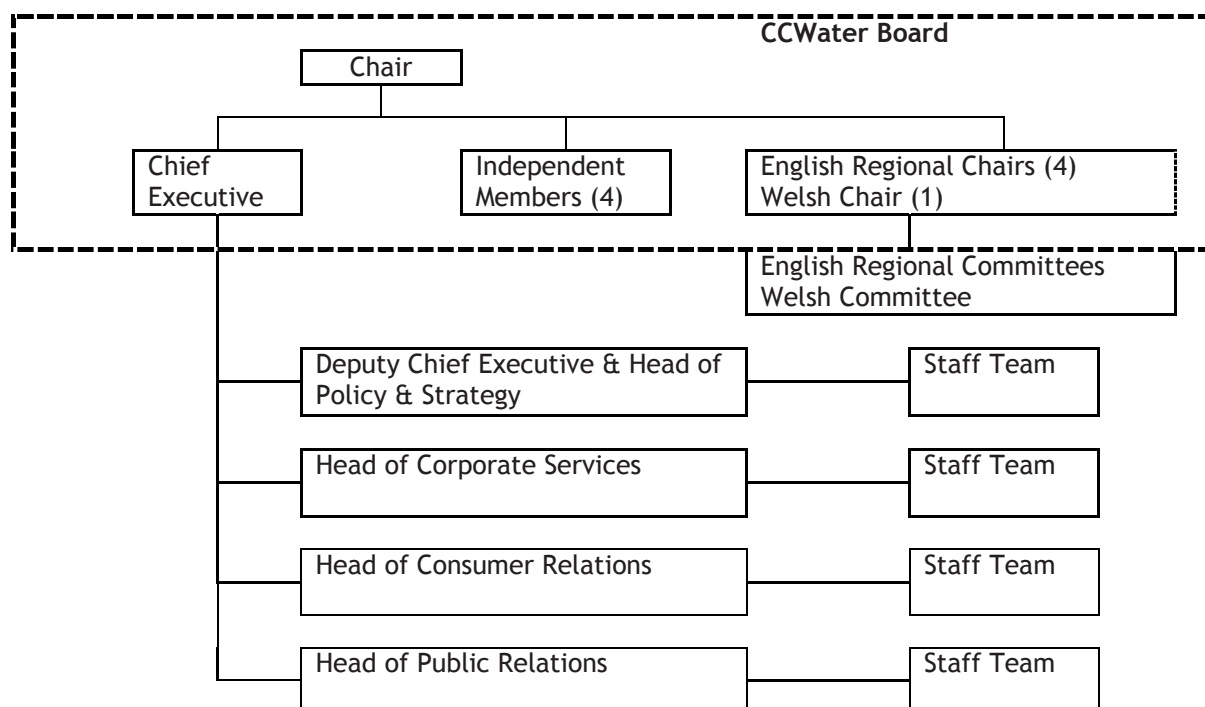
- The price review result in November 2009 was over £1 billion or over £50 per customer better than the last price review in 2004 when CCWater was not around;
- Average bills will remain broadly flat for the next five years alongside record levels of infrastructure investment, especially in areas that consumers tell us are important to them, like sewer flooding;
- Key consumer concerns fed into and reported in the Walker Review of Water and Sewerage Charges and the Floods and Water Management Act;
- An additional £3.5 million in compensation has been returned to customers last year alone (over £9.6m since inception);
- A six percentage point improvement in our performance for resolving complaints in our twenty days targets, and a seven percentage point increase in customers' satisfaction with the speed and quality of our complaint handling. Details of our performance against complaint handling target are shown on page 8;
- An increase in take up of the WaterSure Tariff for vulnerable customers by 29 per cent this year;
- Improved our recognition with the public to over 20 per cent, from our tracking research; and
- Held our increases to costs and charges to water companies to RPI since we set up. CCWater cost circa £6million, approx 25p a customer per annum, less than Defra's original forecast.

A full commentary on the achievements of the Consumer Council for Water for 2009-10 is published in our Annual Review. These documents are available on CCWater's website.

We continue to focus our activities on what consumers tell us is most important - a safe and continuous water supply at a fair and affordable price. We monitor our activities against our Forward Work Programme and our Operational Business Plan which include measurable performance targets and timings.



Figure1: Organisational Structure



Considerable effort went into the delivery of the organisation's Operational Business Plan during 2009-10. Activities centred around four key themes which had been identified as reflecting the issues to which domestic and business consumers were consistent in attaching great importance:

- Water on tap - safe good quality tap water, improved supply reliability, and encouraging the wise use of water;
- 2009 price review - pressing for consumers' views to be at the heart of the review, so that they view the outcome as acceptable, and that they can afford it;
- Right first time - consumers' problems sorted out quickly without hassle; and
- Value for money - a fair charge for the service, and help for those who cannot afford to pay.

A monitoring report of projects and work in progress was used during the course of the year to ensure that the organisation had an accurate picture of real progress being made. The reports were completed on a monthly basis by the project managers and were reviewed by both the executive team and the Board of the organisation.

The 2009 customer price review was the first price review where consumers had independent representation and we were pleased that our work with water companies, regulators and other organisations meant prices remained broadly flat with record levels of infrastructure investment. This result was over £1 billion - or over £50 per customer - better than the 2004 price review when the Consumer Council for Water was not around. In addition we negotiated with water companies to return £135m of extra benefits for customers in the last three years.

For *Right First Time* - consumer complaints, advice and information, the year ended with outputs as shown below:

Commitments / Measure	2009-10	Output delivered 2009-10 compared with previous year - by percentage point	
Year on year increase in consumers satisfied with their contact with CCWater.	Increase (over 2008-09)	Outcome	59% up 2 points
		Speed	82% up 7 points
		Quality	74% up 7 points
		Courtesy - new	94%
Year on year increase in the percentage of consumer complaints resolved within our targets.	Increase (over 2008-09)	5 days	100% up 1 point
		20 days	82% up 6 points
		40 days	93% up 3 points

In all, the work undertaken CCWater has made sure that the consumers' collective voice is heard in the national water debate and that consumers are pushed to, and then remain, at the heart of the water industry's thinking. This has meant real improvements in the things that matter to consumers.

There is a statutory requirement for the organisation to publish an Annual Review and development of the three year Forward Work Programme plus the preparation of a supporting Operational Business Plan for 2010-11 by 31 March 2010. By the year-end both documents had been published and were available to the public. The documents took into account the feedback from CCWater's public consultation process.

The Forward Work Programmes (England & Wales and Wales) shows what the organisation will do and what it hopes to achieve for consumers over the next three years.

The Operational Business Plan illustrates in more detail how CCWater will work to achieve the first year of the refreshed programme. The document is primarily intended for CCWater's sponsors: Defra and the Welsh Assembly Government, together with more specialist stakeholders.

Both the Operational Business Plan and the Forward Work Programme include measurable performance targets and timings.

## Trends and Factors

During 2009-10 the main focus of the water industry has been on the price review where Ofwat sets the price limits companies will be allowed to charge for the next five years. We have pushed consumers' views to the heart of the way the water industry is managed and regulated.

This was the first price review where consumers had independent representation and we were pleased that our work with water companies, regulators and other organisations meant prices remained broadly flat with record levels of infrastructure investment. This result was over £1billion - or over £50 per customer - better than the 2004 price review when the Consumer Council for Water was not around.

## Environmental Matters

CCWater has a statutory requirement to address sustainable development. The organisation fulfils its duty by showing consumers how it balances the economic, environmental and social aspects in all that it does. CCWater seeks to ensure it adheres to both Government's guiding principles and key priorities in doing this.

## Social and Community Issues

CCWater engages with all water consumers, including those who are disabled or chronically sick, of pensionable age, on low incomes, living in rural areas and those unable to switch water suppliers in the limited competitive market, so that it can develop a real understanding of their needs and work in line with their specific interests. CCWater acts on behalf of businesses as well as households.

## Future Development, Performance and Position

In 2010-11 CCWater will be undertaking work as outlined in the, now published, Operational Business Plan. To ensure performance and delivery is as efficient and effective as possible the work progress reporting system will continue to be used - together with financial, planning, monitoring, control and reporting mechanisms.

The proposed Department for Business, Innovation and Skills (BIS) consultation on whether CCWater should merge with Consumer Focus and or plans by the new government to review quangos continues to impose significant uncertainties for staff and may impact on CCWater's ability to influence the water industry once the consultation is launched. To date this has not impacted on CCWater's ability to influence the water companies. Until the position is clarified, CCWater will continue to look for ways to work with Consumer Focus including greater sharing of support services. From 1 January 2009 we agreed to share procurement services with Consumer Focus and we are now working more closely on a number of policy issues.

Future risks and uncertainties that might affect CCWater's long-term position include:

- the organisation does not fully deliver its Forward Work Programme;
- BIS consultation on CCWater's future undermines CCWater's ability to deliver its Forward Work Programme;
- there is a loss of key staff as a result of the BIS review; and
- the organisation is portrayed as offering inappropriate advice / inadequate customer service and / or different service levels in some regions.

CCWater has established a risk management strategy and a risk log for the management and mitigation of risk. The risk log is a live document managed by the executive team of the organisation and considers strategic, operational, financial and external risks. The risk log is also reviewed carefully by the Audit and Risk Management Committee at each quarterly meeting of the committee.

## Support Services

CCWater's IT Infrastructure is provided under an Information Communications Technology infrastructure agreement with Northgate Information Systems and several support services used within CCWater were provided during 2009-10 by Ofwat: financial services, human resources services plus library and information services. These services were managed using service level agreements (SLAs) between the two organisations. These agreements ended on 31 March 2010 and the services are now delivered in-house. The web-based complaints management system was provided by RightNow Technologies.

## Financial Commentary

The main financial highlights are summarised below:

Operating costs summary	2009-10	2008-09	2007-08
	£000s	£000s	£000s
<b>Income</b>			
Operating Income	54	24	66
	54	24	66
<b>Expenditure</b>			
Operating costs	6,236	6,402	5,902
<b>Net Operating Costs</b>	<b>6,182</b>	<b>6,378</b>	<b>5,836</b>

The budget for CCWater during 2009-10 was set at £6.7m. This is managed by delegating the budget to individual budget holders, based on forward work programme activities. Expenditure is monitored against on a monthly basis with formal quarterly budget holders meetings.

We are required by HM Treasury to achieve a cost of capital return of 3.5 per cent. This is assessed on the average value of the assets (as defined in note 1.6 to the accounts) over the financial year.

### **Equal Opportunities Policy**

As a public body CCWater ensures equal opportunity for employment, regardless of race, colour, nationality or ethnic or national origin, sex, sexual orientation, age, marital status, disability, religion or working pattern. All permanent staff are recruited on merit through fair and open competition and our recruitment activity is subject to audit by the Civil Service Commissioners to ensure that we comply with the guidance set out in its recruitment code.

At the end of the financial year:

- 60 per cent of all staff were women;
- 44 per cent of staff in managerial posts were women;
- 20 per cent of the Senior Management Team were women; and
- 19 per cent of staff were known to be of ethnic minority origin.

### **Payment of Suppliers**

We achieved 99 per cent against the government target for paying agreed invoices within 30 days of receipt during 2009-10. The corresponding figure for 2008-09 was 99 per cent.

In October 2008, government set a new challenge to pay all suppliers within 10 working days with effect from 1 December 2008. During 2009-10 CCWater paid 79 per cent of undisputed bills within this deadline. The corresponding figure for December 2008 to March 2009 was 67 per cent. Terms are agreed with each supplier individually (generally over 30 days) with a view to make payment within the government target of 10 days. Creditors days is 4.7 days at 31 March 2010.

### **Going Concern**

The accounts for 2009-10 have been prepared on a going concern basis. The 2010-11 budget has been agreed with Defra and the Welsh Assembly Government, there is no reason to believe that future approvals will not be forthcoming.

### **Sickness Absences**

CCWater encourages a culture where good attendance is expected and valued. However it recognises that from time to time absences for medical reasons may be unavoidable. CCWater aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly.

During 2009-10, excluding long term absences the percentage of working days lost was 3.33 days per annum per employee. This compares favourably to the public sector average of 9.7 days per annum per employee.

### **Employee Involvement**

We attach great importance to managing, developing and training our staff in accordance with best practice. A staff council exists within the organisation. All new employees recruited into the organisation received full induction training and a programme of specialist training is given to all staff to develop appropriate skills.

CCWater recognises and accepts its legal responsibilities in relation to health, safety and welfare of its employees and for all other people using its premises or engaged on its activities. CCWater will comply with the Health and Safety at Work Act 1974 and all other relevant legislation as appropriate. CCWater is committed to the positive promotion of accident prevention and the elimination of accidents involving personal injury, illness or damage.

**Health and Safety**

The Health and Safety policy statement describes CCWater's responsibilities and objectives and is available to all those working for CCWater. There have been no RIDDOR reportable incidents.

**Personal Data**

CCWater's data security policy aims to ensure that all official information is safeguarded and kept securely. There were no recorded losses of data incidents during 2009-10.

Tony Smith  
Chief Executive and Accounting Officer  
Consumer Council for Water  
6 July 2010

Consumer Council for Water  
Victoria Square House  
1st floor, Victoria Square  
Birmingham  
B2 4AJ

## REMUNERATION REPORT

### Senior Management Team

The composition of the senior management team, known as the Executive Team, in the reporting period was as follows:

Tony Smith	Chief Executive
Nick Ellins	Deputy Chief Executive & Head of Policy & Strategy
Carl Pegg	Head of Consumer Relations
Jane Morris	Acting Head of Corporate Services
Dave Thompson	Head of Public Relations

The Chief Executive was appointed by the Secretary of State as a member of the Board. His contract is a standard open-ended with a three month notice period. The Chief Executive, on his appointment, was designated as CCWater's Accounting Officer by the Department for Environment, Food and Rural Affairs. The Remuneration Committee, based on performance assessment, decides on any annual increases to the Chief Executive's basic salary and performance bonus.

The contracts of Carl Pegg, Jane Morris, and Dave Thompson are standard open-ended contracts with three months notice period.

Nick Ellins secondment from Water UK, was due to expire in December 2009 but was extended for a further year.

Senior managers and board members have declared that they held no company directorships or other significant interests that might have caused a conflict with their CCWater responsibilities.

Details of CCWater's Remuneration Committee and its members can be found earlier in the Annual Report.

### Staff Remuneration

Pay progression for staff is performance related; it is linked to awards assessed at annual appraisal using the personal review system. The Remuneration Committee makes recommendations to the Secretary of State on the percentage of the pay bill that is available for performance awards each year together with the percentage increase award for each representative box mark.

Performance Related Pay (PRP) is determined by the appraisal box mark system and is a proportionate share of the total sum available. It is awarded as a percentage increase on basic salary. Performance rated as "not met objectives" does not receive a performance related pay award. The CEO and senior management oversee the consistency and fairness of the PRP process.

New pay awards are based on salaries at 31 July and take effect from 1 August. Staff receive written notification of performance pay awards that should be retained with their Statement of Particulars.

### Pension Liabilities

The main pension scheme for CCWater staff is the Principal Civil Service Pension Scheme (PCSPS). This is a defined benefit, unfunded scheme. The payments of benefits from the scheme are borne by the Civil Service Superannuation Vote. The pension liabilities arising from CCWater's employees' membership of the PCSPS are not provided for in these accounts in accordance with the Treasury's instructions and as described below.

The following information was subject to audit.

## Remuneration of Senior Managers

Disclosure of Salary Information 12 months ended 31 March 2010:

Name	2009-10		2008-09	
	Salary including performance pay £000	Benefits in kind (to nearest £100)	Salary including performance pay £000	Benefits in kind (to nearest £100)
Tony Smith Chief Executive	115-120	-	115-120	-
Carl Pegg Head of Consumer Relations	50-55	-	50-55	-
Jane Morris Acting Head of Corporate Services (as from 2 January 2008)	50-55	-	50-55	-
Dave Thompson Head of Public Relations	45-50	-	45-50	-
Total	260-265	-	260-265	-

The amount payable to Water UK for the secondment of Nick Ellins has been omitted as publication would prejudice the legitimate interests of the individual. However, this information is subject to audit and is included in the costs disclosed in the consultancy services costs included in note 3 to the financial statements.

### Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

### Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. There were no benefits in kind during the year.

## Remuneration of Board Members

	2009-10	2008-09
	Salary	Salary
	£000	£000
Dame Yve Buckland (Chair)	45-50	45-50
David Bland	35-40	30-35
Andrea Cook	35-40	30-35
Charles Howeson	35-40	30-35
Diane McCrea	35-40	30-35
Sir James Perowne	35-40	30-35
Michael Barnes	5-10	5-10
Colette Isaaks (appointed 1 September 2008)	5-10	0-5**
Timothy Hornsby	5-10	5-10
Narendra Makanji	5-10	5-10

\*\*5-10 (full year equivalent)

Board members were appointed by the Secretary of State on or shortly after 1 October 2005, for periods of up to four years. The Chair's appointment is for four years. The level of salary depends on the amount of work each Board member is involved in. The appointment periods and functions of the Board Members are disclosed earlier.

Board member posts are non- pensionable.

## Senior Managers Disclosure of Pension Information 12 months ended 31 March 2010

Name	Real increase in Pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 2010 and related lump sum	CETV at 31 March 2010	CETV at 31 March 2009*	Real increase in CETV funded by employer
	£000	£000	£000	£000	£000
Tony Smith - Chief Executive	0-2.5	15-20	319	237	23
Carl Pegg - Head of Consumer Relations	0-2.5	20-25	346	283	19
Jane Morris** - Acting Head of Corporate Services	0-2.5 Lump sum 0-2.5	20-25 Lump sum 65-70	400	346	12
Dave Thompson - Head of Public Relations	0-2.5	0-5	32	8	10

\*The figures are different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008).

\*\*This member chose to aggregate her two periods of service last year, therefore the figures are based on the amalgamated service, which is why the figures will be higher than last year's.

## Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality



‘money purchase’ stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three year’s pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and, immediately after the scheme year end, the accrued pension is up-rated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 per cent and 12.5 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3 per cent of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted, is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member’s accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Tony Smith  
Chief Executive and Accounting Officer  
Consumer Council for Water  
6 July 2010

## STATEMENT OF THE CONSUMER COUNCIL FOR WATER AND CHIEF EXECUTIVE'S RESPONSIBILITIES

Under the Water Industry Act 1991, the Secretary of State for Environment, Food and Rural Affairs with the consent of HM Treasury has directed the Consumer Council for Water to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Consumer Council for Water and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State for Environment, Food and Rural Affairs with the consent of HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Accounting Officer of the Department for Environment, Food and Rural Affairs has designated the Chief Executive as Accounting Officer of the Consumer Council for Water. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Consumer Council for Water's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Managing Public Money*.

## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of CCWater's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money.

The system of internal control in use has been subject to regular review by responsible officers and executive managers within CCWater. This has been corroborated by rigorous oversight and scrutiny from the CCWater Board and its sub-committees who were informed by the findings of both internal and external audit together with the elements of the overall system of internal control.

CCWater is jointly sponsored by the Department for Environment, Food and Rural Affairs (Defra) and the Welsh Assembly Government. The relationships between the Secretary of State for Defra, the Welsh Assembly Government, exercising powers delegated by the Welsh Ministers, and CCWater are set out in the Management Statement for CCWater, which is based on models prepared by HM Treasury and the Welsh Assembly Government.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in CCWater for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

CCWater Risk Management Strategy (February, 2006) sets out four key objectives for the organisation:

- "to foster a risk management culture that involves all the people and functions within the organisation";
- "to facilitate the development and application of self-assessment techniques so that objectives are achieved through the proper control of risks";
- "to ensure that CCWater complies with the requirements of the law and public sector policy"; and
- "to safeguard the reputation of CCWater."

The executive team reviews the strategic risks facing CCWater on a monthly basis and each individual member of the executive team and the Chairman of each Board sub-committee has signed their own annual Statement on Internal Control relating to their specific responsibilities.

In order to ensure that risk management was embedded within the day-to-day activity, CCWater implemented a monthly and quarterly reporting cycle across all projects and work areas. The regular monitoring of performance and risk exposure ensures that decisions are made at the most appropriate level within the organisation, or that they are escalated to an appropriate higher authority for resolution.

### The risk and control framework

The Risk and Assurance Framework was designed to provide assurance to the Board and CCWater stakeholders through the implementation of continuous review throughout the operating cycle. The system contained five main elements:

**Accountability** - ensuring that this was established at the correct level of authority and took into account the operational process within CCWater.

**Processes** - designed to ensure that continuous monitoring and assurance was conducted in a consistent and rigorous manner, taking account of CCWater's capacity and capability to achieve its objectives. All projects submit structured monthly ("traffic light") reports to the executive team which tracks a number of delivery parameters including an overall risk score. The executive team members monitor individual project risks, and identifies those which required management outside the individual project, at corporate level.

**Capability** - that achieved objectives and maintained financial control were established through rigorous budget setting and resource management processes as well as the implementation of a work prioritisation process, embedded within the operational business plan, that was used to agree resource limits and specifications at the outset of work. A key risk for CCWater is that of key personnel leaving or being demotivated by the uncertainty surrounding CCWater's future. This is mitigated with continuity plans to deal with the loss of key staff along with regular updates to staff on both potential consultation on CCWater's merger with Consumer Focus and the new government plans to reduce the number of NDPBs.

**Data Security** - in response to Cabinet Office Information Handling requirements aimed at improving the handling of information, CCWater has implemented a series of actions to ensure that information risks are identified and managed and personal information is protected. These are the following:

- accidental disclosure of personal or business data has been included in CCWater's risk register along with appropriate controls and assurance. The risk register is reviewed regularly by CCWater's Executive, CCWater's Audit and Risk Management Committee and CCWater's Board;
- an Information Asset Officer has been appointed and responsibilities have been assigned;
- CCWater participates in Defra's quarterly information risk assessments;
- managing information risk is integrated into CCWater HR processes and all members of staff are aware of the new requirements;
- CCWater has an Information Charter which explains how we handle personal data;
- personal information held by CCWater is identified, clearly marked and subject to controlled disposal;
- the use of removable media for transfer of information is restricted to public domain information;
- information risk awareness training takes place every year for all staff. CCWater's Consumer Relations have undertaken an on-line E Learning Data Handling assessment. All new staff receive data security information as part of their induction process; and
- the Office of Government Commerce (OGC) framework contract clauses are being used in new contracts as necessary.

**Outcomes** - are agreed at an operational and corporate level and then regularly monitored to ensure that they are achieved.

The amount of risk that the organisation is prepared to accept, tolerate, or be exposed to at any point in time, is determined by the organisation's executive team, having both used appropriate escalation processes and being prepared to use further escalation processes upwards.

## Review of Effectiveness

As Accounting Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised by the Board and the Audit and Risk Management Committee.

CCWater's internal auditors undertake a work programme approved by me to review risk management, internal control and governance. The Head of Internal Audit produces periodic reports on Internal Audit's findings, their assessment of risk management, corporate governance and control standards in the key corporate risks and delivery areas, and areas where action is required to address shortcomings. I meet with the Head of Internal Audit quarterly to discuss his reports and consider progress in addressing major concerns. He also prepares an annual report which includes his professional opinion on the effectiveness of the overall systems of internal control and risk management within CCWater. Of the six areas considered during 2009-10 by Internal Audit: Performance Management, Financial Systems, CCWater's work on the Price Review, Equality & Diversity and Data Security were considered good with Value for Money being satisfactory.

The Audit & Risk Management Committee supports the Accounting Officer by offering objective advice on issues concerning the control and governance of CCWater. The Audit & Risk Management Committee is chaired by a non-executive Board member and its role and composition is in line with the Treasury's best practice guidance.

Tony Smith  
Chief Executive and Accounting Officer  
Consumer Council for Water  
6 July 2010

## THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Consumer Council for Water for the year ended 31 March 2010 under the Water Industry Act 1991. These comprise the Net Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

### Respective responsibilities of the Chief Executive as Accounting Officer and auditor

As explained more fully in the Statement of Chief Executive's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Consumer Council for Water's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Consumer Council for Water; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### Opinion on financial statements

In my opinion:

the financial statements give a true and fair view of the state of the Consumer Council for Water's affairs as at 31 March 2010 and of its net expenditure, changes in taxpayers' equity and cash flows for the year then ended; and

the financial statements have been properly prepared in accordance with the Water Industry Act 1991 and the Secretary of State for the Environment, Food and Rural Affairs directions issued thereunder.

### Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State for Environment, Food and Rural Affairs directions issued under by Water Industry Act 1991; and
- the information given in the Introduction, Roles and Responsibilities and Management Commentary sections, included within the Annual Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

**Report**

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SS

7 July 2010

## Net Expenditure Account

for the year ended 31 March 2010

	Note	2009-10	2008-09
		<u>£000s</u>	<u>£000s</u>
<b>Expenditure</b>			
Staff costs	2.1	3,482	3,237
Depreciation	3	73	83
Other Expenditures	3	<u>2,681</u>	<u>3,082</u>
		<u>6,236</u>	<u>6,402</u>
<b>Income</b>			
Other Income	4	<u>54</u>	<u>24</u>
		<u>54</u>	<u>24</u>
<b>Net Expenditure</b>		(6,182)	(6,378)
Notional Cost of Capital		<u>(6)</u>	<u>(2)</u>
<b>Deficit for the financial year after notional cost of capital</b>		(6,188)	(6,380)
Reversal of Notional Cost of Capital		<u>6</u>	<u>2</u>
<b>Net Expenditure for the financial year</b>		<u>(6,182)</u>	<u>(6,378)</u>

The notes on pages 26 to 36 form part of these accounts



## Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £000s	31 March 2009 £000s	1 April 2008 £000s
<b>Non-current assets:</b>				
Property, plant and equipment	5	139	272	248
Intangible assets	6	72	59	76
Assets amounts falling due after more than one year	7	2	-	91
<b>Total non-current assets</b>		<b>213</b>	<b>331</b>	<b>415</b>
<b>Current assets:</b>				
Other current assets	7	260	276	453
Cash and cash equivalents	8	961	1,835	793
<b>Total current assets</b>		<b>1,221</b>	<b>2,111</b>	<b>1,246</b>
<b>Total assets</b>		<b>1,434</b>	<b>2,442</b>	<b>1,661</b>
<b>Current liabilities</b>				
Trade and other payables	9	(459)	(475)	(489)
<b>Total current liabilities</b>		<b>(459)</b>	<b>(475)</b>	<b>(489)</b>
<b>Non-current assets plus / less current assets/liabilities</b>		<b>975</b>	<b>1,967</b>	<b>1,172</b>
<b>Non-current liabilities</b>				
Provisions	10	(86)	(129)	(169)
Liabilities amounts falling due after more than one year	9	(122)	(151)	(180)
<b>Total non-current liabilities</b>		<b>(208)</b>	<b>(280)</b>	<b>(349)</b>
<b>Assets less liabilities</b>		<b>767</b>	<b>1,687</b>	<b>823</b>
<b>Reserves</b>				
Revaluation reserve		-	10	7
General reserve		767	1,677	816
		<b>767</b>	<b>1,687</b>	<b>823</b>

The financial statements on pages 22 to 25 were approved by the Board on (date) and were signed on its behalf by;

*Tony Smith*                      *Chief Executive and Accounting Officer*  
6 July 2010

The notes on pages 26 to 36 form part of these accounts.

## Statement of Cash flows

for the year ended 31 March 2010

	Note	2009-10	2008-09
		<u>£000s</u>	<u>£000s</u>
<b>Cash flows from operating activities</b>			
Net Deficit after cost of capital and interest		(6,182)	(6,378)
Adjustments for non-cash items	3	165	121
(Increase)/Decrease in trade and other receivables	7	14	268
Increase/(Decrease) in trade payables	9	(45)	(41)
Use of provisions	10	(51)	(49)
<b>Net cash outflow from operating activities</b>		<u>(6,099)</u>	<u>(6,079)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(37)	(20)
Purchase of Property, plant and equipment		-	(97)
<b>Net cash outflow from investing activities</b>		<u>(37)</u>	<u>(117)</u>
<b>Cash flows from financing activities</b>			
Grants from parent department		6,342	6,158
Grants from parent department for prior year		(1,080)	1,080
<b>Net financing</b>		<u>5,262</u>	<u>7,238</u>
<b>Net Increase/(Decrease) in cash and cash equivalents in the period</b>		<u>(874)</u>	<u>(1,042)</u>
Cash and cash equivalents at the beginning of the period	8	1,835	793
<b>Cash and cash equivalents at the end of the period</b>	8	<u>961</u>	<u>1,835</u>

The notes on pages 26 to 36 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Revaluation Reserve £000s	I & E Reserve £000s	Total Reserves £000s
Balance at 31 March 2008	7	816	823
<b>Changes in taxpayers' equity for 2008-09</b>	-	-	-
Net gain/(loss) on revaluation of Property, plant and equipment	4	-	4
Release of reserves to the I&E	-	-	-
Transfers between reserves	(1)	1	-
Retained Surplus/Deficit	-	-	-
<b>Total recognised Income and expense for 2008-09</b>	-	(6,378)	(6,378)
Grant from Parent	-	7,238	7,238
Balance at 31 March 2009	10	1,677	1,687
<b>Changes in taxpayers' equity for 2009-10</b>	-	-	-
Net gain/(loss) on revaluation of Property, plant and equipment	-	-	-
Release of reserves to the I&E	-	-	-
Transfers between reserves	(10)	10	-
Retained Surplus/Deficit	-	-	-
<b>Total recognised Income and expense for 2009-10</b>	-	(6,182)	(6,182)
Grant from Parent	-	5,262	5,262
Balance at 31 March 2010	-	767	767

The notes on pages 26 to 36 form part of these accounts

## Notes to the accounts

### 1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Consumer Council for Water for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Consumer Council for Water are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of Property, plant and equipment and intangible assets.

#### 1.2 Property, plant and equipment

As permitted by the FReM, non current assets are no longer re-valued on an annual basis using indices. Depreciated historical cost is now used as a proxy for current fair value as this realistically reflects consumption of the assets. Revaluation would not cause a material difference. The minimum level for the capitalisation of tangible fixed assets is £2,000 this has been increased due to the forthcoming Alignment (Clear Line of Sight) project.

Tangible non-current assets consist of furniture fixtures and fittings, office machinery, leasehold improvements and IT. Intangible non current assets comprises of purchased software licences.

#### 1.3 Depreciation

Depreciation is provided at rates calculated to write-off the value of tangible non current assets by equal installments over their estimated useful lives, to their estimated residual values. Asset lives are within the following ranges:

Asset classification	Asset life
Furniture, fixtures and fittings	10 years
IT equipment	3 to 5 years
Office machinery and Telecoms	5 years
Leasehold improvements	Life of the lease

Software licences and bespoke software are amortised over the shorter of the term of the licence or the useful economic life from the date the asset is brought into service.

#### 1.4 Leases

CCWater had no finance leases as at 31 March 2010 (31 March 2009: nil). Rentals due under operating leases are charged over the lease term on a straight-line basis or on the basis of actual rental payable where this fairly reflects usage.

#### 1.5 Grants receivables

CCWater is financed by grant-in-aid from Defra and the Welsh Assembly Government and is accounted for as it is received. The grant in aid received is used to finance activities and expenditure which support the statutory and other objectives of the organisation and is treated as financing, which is credited to the I&E Reserve.

### 1.6 Capital charge

A charge, reflecting the cost of capital utilised by CCWater, is included in the Expenditure Account. The charge is calculated at the real rate set by HM Treasury (currently 3.5 per cent) on the average carrying amount of all assets less liabilities, except for:

- a furniture, fixtures and fitting and IT equipment and intangible assets where the cost of capital charge is based on opening values, adjusted pro rata for in-year:
  - additions at cost
  - disposals as valued in the opening statement of financial position (plus any subsequent capital expenditure prior to disposal)
  - impairments at the amount of the reduction of the opening statement of financial position value (plus any subsequent capital expenditure)
  - depreciation of property, plant and equipment and amortisation of intangible assets;
- b donated assets, and cash balances with the Office of the Paymaster General, where the charge is nil.

### 1.7 Value added tax

CCWater is not registered for VAT. VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non current assets.

### 1.8 Provisions

CCWater provides for legal or constructive obligations, which are of uncertain timing, or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate (currently 3.2 per cent).

### 1.9 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, CCWater discloses for Parliamentary reporting and accountability purposes statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Government Accounting.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

### 1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi-employer defined benefit scheme, and we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

**1.11 First-time adoption of IFRS**

	General Fund	Revaluation reserve
	£000s	£000s
Taxpayers' equity at 31 March 2009 under UK GAAP	1,862	10
Adjustments for:		
Annual leave accrual	(81)	-
Rent free accrual	(104)	-
Taxpayers' equity at 1 April 2009 under IFRS	1,677	10
		£000s
Net Expenditure for 2008-09 under UK GAAP		6,308
Adjustments for:		
Annual leave accrual		41
Rent free accrual		29
Net Expenditure for 2008-09 under IFRS		6,378

**2 Staff numbers and related costs****2.1 Staff costs comprise:**

	2009-10			2008-09
	Total	Permanently employed staff	Others	Total
	£000s	£000s	£000s	£000s
Wages and salaries	2,903	2,467	436	2,692
Social security costs	197	197	-	181
Other pension costs	382	382	-	364
Total net costs*	3,482	3,046	436	3,237

\*Of the total no charge has been made to capital

**2.2 Average numbers of persons employed**

The average number of whole-time equivalent persons employed during the year was as follows. These figures exclude CCWater members.

	2009-10	2008-09
Number		
Directly Employed	86	84
*Others	2	4
Total	88	88

\*This includes temporary staff.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but CCWater is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

### Salary

“Salary” includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. Agency, casuals and CCWater members are included in the other staff costs in the table above.

### Pension

For 2009-10, employers’ contributions of £381,531 were payable to the PCSPS (2008-09 £363,603) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. £51k (2008-09 £49k) was payable in early retirement benefits during the year. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £11,720 (2008-09 £12,064) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £880 (2008-09 £905), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £882 (2008-09 £1,590). Contributions prepaid at that date were nil.

## 3 Other Expenditure

	2009-10		2008-09	
	£000s	£000s	£000s	£000s
<b>Running Costs</b>				
<b>Rentals under operating leases:</b>				
Accommodation	562		603	
IT software	295		317	
Office equipment	9		9	
		866		929
<b>Non cash items:</b>				
Depreciation	73		83	
Amortisation	22		22	
(Profit)/Loss on disposal of assets	62		1	
Early retirement provision provided in year	5		5	
Unwinding of discount	3		4	
Permanent diminution of assets	-		6	
		165		121
<b>Other expenditure:</b>				
Consultancy services	565		579	
Training	68		90	

Travel and subsistence	205	255
Rates	148	162
Support service costs	83	102
Hire and maintenance	35	31
Seminars, meetings and conferences	47	93
Publications, books & periodicals	100	135
Postal services and couriers	18	21
Telecommunications	56	63
Auditors' remuneration*	41	40
Other accommodation costs	180	318
Recruitment costs	16	49
Website	24	33
Other	137	144
	<u>1,723</u>	<u>2,115</u>
	<u>2,754</u>	<u>3,165</u>

\* Audit remuneration work included £4,000 for the audit of CCWater's IFRS shadow accounts, there was no remuneration for non-audit work.

#### 4 Income

	2009-10	2008-09	2007-08
	£000s	£000s	£000s
Other Income	18	24	66
SLA Income	36	-	-
<b>Total</b>	<b>54</b>	<b>24</b>	<b>66</b>

Other income is income from sub-letting parts of the Bristol offices and during the year a new SLA with Consumer Focus was entered into for the provision of procurement services till December 2010.

#### 5 Property, plant and equipment

	Furniture fixtures and fittings	Office machinery	Leasehold works	IT equipment	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation</b>					
At 1 April 2009	123	38	313	52	526
Additions	-	-	-	-	-
Disposals	(123)	(38)	-	(11)	(172)
Revaluations	-	-	-	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>313</b>	<b>41</b>	<b>354</b>
<b>Depreciation</b>					
At 1 April 2009	79	33	111	31	254
Charged in year	-	-	66	7	73
Disposals	(79)	(33)	-	-	(112)
Revaluations	-	-	-	-	-
<b>At 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>177</b>	<b>38</b>	<b>215</b>
<b>Net book value at 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>3</b>	<b>139</b>
<b>Net book value at 31 March 2009</b>	<b>44</b>	<b>5</b>	<b>202</b>	<b>21</b>	<b>272</b>



During the year an exercise was undertaken to remove items that had been capitalised below the threshold values disclosed in Note 1.2 with a net book value of £60k were removed from the Fixed Asset Register.

	Furniture fixtures and fittings	Office machinery	Leasehold works	IT equipment	Total
	£000s	£000s	£000s	£000s	£000s
<b>Cost or valuation</b>					
At 1 April 2008	111	38	234	45	428
Additions	11	2	79	13	105
Disposals	(5)	(3)	-	(3)	(11)
Revaluations	6	1	-	(3)	4
<b>At 31 March 2009</b>	<b>123</b>	<b>38</b>	<b>313</b>	<b>52</b>	<b>526</b>
<b>Depreciation</b>					
At 1 April 2008	73	33	56	18	180
Charged in year	9	3	55	16	83
Disposals	(5)	(3)	-	(2)	(10)
Revaluations	2	-	-	(1)	1
<b>At 31 March 2009</b>	<b>79</b>	<b>33</b>	<b>111</b>	<b>31</b>	<b>254</b>
<b>Net book value at 31 March 2009</b>	<b>44</b>	<b>5</b>	<b>202</b>	<b>21</b>	<b>272</b>
<b>Net book value at 31 March 2008</b>	<b>38</b>	<b>5</b>	<b>178</b>	<b>27</b>	<b>248</b>

## 6 Intangible assets

Intangible assets comprise of software licences

	Total £000s
<b>Cost or valuation</b>	
At 1 April 2009	119
Additions	37
Disposals	(4)
Revaluation	-
<b>At 31 March 2010</b>	<b>152</b>
<b>Amortisation</b>	
At 1 April 2009	60
Charged in year	22
Disposals	(2)
Revaluation	-
<b>At 31 March 2010</b>	<b>80</b>
<b>Net book value at 31 March 2010</b>	<b>72</b>
<b>Net book value at 1 April 2009</b>	<b>59</b>

During the year an exercise was undertaken to remove items that had been capitalised below the threshold values. Items with a net book value of £2k were removed from the Fixed Asset Register.

**Cost or valuation**

At 1 April 2008	117
Additions	9
Disposals	(1)
Revaluation	(6)
<b>At 31 March 2009</b>	<b>119</b>

**Amortisation**

At 1 April 2008	41
Charged in year	22
Disposals	(1)
Revaluation	(2)
<b>At 31 March 2009</b>	<b>60</b>

**Net book value at 31 March 2009** **59**

**Net book value at 1 April 2008** **76**

**7.1 Trade receivables and other current assets**

	2009-10	2008-09	2007-08
	£000s	£000s	£000s
<b>Amounts falling due within one year:</b>			
Trade receivables	16	-	101
Advances*	6	8	8
Prepayments	238	268	344
	<b>260</b>	<b>276</b>	<b>453</b>
<b>Amounts falling due after more than one year:</b>			
Prepayments	2	-	91
	<b>2</b>	<b>-</b>	<b>91</b>

\*Advances comprise of 14 travel season ticket loans.

**7.2 Intra-Government Balances**

	Amounts falling due within one year			Amounts falling due after more than one year		
	2009-10	2008-09	2007-08	2009-10	2008-09	2007-08
	£000s	£000s	£000s	£000s	£000	£000s
Balance with other central government bodies	9	-	60	-	-	-
Balance with local authorities	13	10	15	-	-	-
Subtotal: intra-government balances	22	10	75	-	-	-
Balances with bodies external to government	238	266	378	2	-	91
<b>Total debtors at 31 March</b>	<b>260</b>	<b>276</b>	<b>453</b>	<b>2</b>	<b>-</b>	<b>91</b>

**8 Cash and cash equivalents**

	2009-10	2008-09	2007-08
	£000s	£000s	£000s
Balance at 1 April	1,835	793	2,235
Net change in cash and cash equivalent balances	(874)	1,042	(1,442)
Balance at 31 March	961	1,835	793
The following balances at 31 March were held at :			
Office of HM Paymaster General	961	1,835	793
Commercial banks and cash in hand	-	-	-
Balance at 31 March	<b>961</b>	<b>1,835</b>	<b>793</b>

**9 Trade payables and other current liabilities**

	2009-10	2008-09	2007-08
	£000s	£000s	£000s
<b>Amounts falling due within one year</b>			
Trade payables	35	45	14
Accruals*	315	329	378
Other tax and social security	73	65	65
Other payables	36	36	32
	<b>459</b>	<b>475</b>	<b>489</b>
<b>Amounts falling due after more than one year:</b>			
Accruals*	122	151	180
	<b>122</b>	<b>151</b>	<b>180</b>

\*Within accruals £151k (2008-09 £180k) relates to rent free premises for Victoria Square House of which £122k relates to falling due after one year,

**9.1 Intra-Government Balances**

	Amounts falling due within one year			Amounts falling due after more than one year		
	2009-10	2008-09	2007-08	2009-10	2008-09	2007-08
	£000s	£000s	£000s	£000s	£000s	£000s
Balance with other central government bodies	103	142	73	-	-	-
Balance with local authorities	-	-	6	-	-	-
Subtotal: intra-government balances	103	142	79	-	-	-
Balances with bodies external to government	356	333	410	122	151	180
<b>Total creditors at 31 March</b>	<b>459</b>	<b>475</b>	<b>489</b>	<b>122</b>	<b>151</b>	<b>180</b>

**10 Provisions for liabilities and charges**

	Early departure costs £000s
Balance at 1 April 2009	129
Provided in year	5
Provision not required written back	-
Provision utilised in year	(51)
Unwinding of discount	3
<b>Balance at 31 March 2010</b>	<b>86</b>

Analysis of expected timing of discounted cash flows

	£000s
In the remainder of the Spending Review period (to 2011)	50
Between 2012 and 2016	36
Between 2017 and 2021	-
Thereafter	-
<b>Balance at 31 March 2010</b>	<b>86</b>

	Early departure costs £000s
Balance at 1 April 2008	169
Provided in year	5
Provision not required written back	-
Provision utilised in year	(49)
Unwinding of discount	4
<b>Balance at 31 March 2009</b>	<b>129</b>

Analysis of expected timing of discounted cash flows

	£000s
In the remainder of the Spending Review period (to 2011)	94
Between 2012 and 2016	35
Between 2017 and 2021	-
Thereafter	-
<b>Balance at 31 March 2009</b>	<b>129</b>

The Early Retirement provision relates to the costs of pensions for individuals who have retired early. We meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. We provide for this in full when the early retirement programme becomes binding on us by establishing a provision for the estimated payments discounted by the Treasury pension rate of 2.2 per cent in real terms.

**11 Capital commitments**

	2009-10	2008-09	2007-08
	£000s	£000s	£000s
Contracted capital commitments at 31 March for which no provision has been made	-	-	-

**12 Commitments under leases****Operating leases**

The total future minimum lease payments under operating leases are given in the table below for each of the following periods. The building costs include a service charge and insurance. This is based on the current information available and these estimates may be revised under the lease.

	2009-10	2008-09	2007-08
	£000s	£000s	£000s
Obligations under operating leases comprise:			
Buildings:			
Not later than one year	517	605	566
Later than one year and not later than five years	1,644	1,804	2,382
Later than five years	133	491	866
	<b>2,294</b>	<b>2,900</b>	<b>3,814</b>
Other:			
Not later than one year	181	178	171
Later than one year and not later than five years	75	252	71
Later than five years	-	-	-
	<b>256</b>	<b>430</b>	<b>242</b>

CCWater has a sub lease with Consumer Focus which is a non cancellable contract and expires in December 2014, £83k is receivable until the lease expires.

**13 Contingent liabilities disclosed under IAS 37**

There are no contingent liabilities as at 31 March 2010.

**14 Losses and special payments**

There were no losses or special payments reportable during the year.

**15 Post-balance sheet events**

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that Consumer Council for Water provides to employees. This will be a non-adjusting event.

**16 Financial instruments**

As the cash requirements of CCWater are met through Grant-in-Aid provided by Defra and the Welsh Assembly Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the CCWater's expected purchase and usage requirements and CCWater is therefore exposed to little credit, liquidity or market risk.

**17 Related Party Transactions**

CCWater receives grant in aid from Defra and the Welsh Assembly Government. Defra is CCWater's parent governmental body.

CCWater received financial services, facilities management services, library and information services and human resources services from Ofwat during 2009-10; the cost for 2009-10 was £83k including VAT and had creditors at year end of £1k.

In addition, CCWater has had a small number of transactions with other government departments and central government bodies.

CCWater sublets parts of the Bristol offices to Consumer Focus and receives rental income; during 2009-10 £18k was received.

CCWater provides procurement services to Consumer Focus the income during 2009-10 was £36k; at year end there was a debtor balance of £9k.

CCWater has a Memorandum Of Terms Of Occupation (MOTO) agreement for the Wales Office with Department for Works and Pensions; at year end there was a creditor of £17k.

No Council Board member, key manager or other related parties has undertaken any material transactions with CCWater during the year.



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