



Department  
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Food & Rural Affairs

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Llywodraeth Cymru  
Welsh Government

# Consumer Council for Water Framework Document

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## CONSUMER COUNCIL FOR WATER FRAMEWORK DOCUMENT

This framework document has been drawn up by the Department for Environment Food and Rural Affairs (Defra) and the Welsh Government in consultation with the Consumer Council for Water (CCWater). This document sets out the broad framework within which CCWater will operate. The document does not convey any legal powers or responsibilities.

It is signed and dated by Defra, the Welsh Government and CCWater. This document is made available to members of the public on the CCWater website.

### The Purpose of the Consumer Council for Water

1.1 Under section 27A of the Water Industry Act 1991 (hereafter called "the Act"), as inserted by section 35 of the Water Act 2003, CCWater was set up to represent consumers of water and sewerage services in England and Wales.

1.2 CCWater's main aim is to ensure that existing and future water consumers receive value for money, fairness, choice (wherever possible) and quality, within a sustainable water industry.

1.3 CCWater's statutory duties are:

- to represent the interests of water and sewerage customers and in representing the interests of consumers to have regard to the interests of:
  - individuals who are disabled or chronically sick;
  - individuals of pensionable age;
  - individuals with low income;
  - individuals residing in rural areas;
  - and consumers who are ineligible to change their water supplier,

(but this is not to be taken as implying that regard may not be had to the interests of other descriptions of consumer).

- to deal with complaints about the service provided by a licensed water supplier or water and sewerage company.
- to publish advice or information about consumer matters or consumers' views where it would promote the interests of consumers.

1.4 CCWater contributes to the achievement of Defra's wider policy aims and objectives for the water sector as set out most recently in the 2011 Water White Paper 'Water for Life'.

1.5 CCWater also contributes to the achievement of the aims, objectives and targets of the Welsh Government as set out in the 'Well Being of Future Generations (Wales) Act (2015)' and the 'Water Strategy for Wales'.



1.6 CCWater has super-complainant<sup>1</sup> status under the Enterprise Act 2002.

## Governance and Accountability

### CCWater legal origins of powers and duties

2.1 CCWater is established under section 27A of the Act. CCWater does not carry out its functions on behalf of the Crown.

### Classification

2.2 For policy/administrative purposes CCWater is classified both as an executive non-departmental public body of Defra and a Welsh Government Sponsored Body (WGSB).

2.3 For national accounts purposes, CCWater is classified to the central government sector. References to CCWater include any subsidiaries or joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and CCWater (a financial memorandum).

2.4 In addition to duties under the Act to co-operate with regulators, CCWater shall, where appropriate, work closely with other organisations in England and Wales, including water and sewerage companies, dispute resolution bodies, other consumer bodies, local authorities and the voluntary sector to further its aims, objectives and targets.

2.5 CCWater shall consult with its stakeholders on the development of its Forward Work Programme.

## Ministerial Responsibility

### The Secretary of State

3.1 The Secretary of State for Environment, Food and Rural Affairs is accountable to Parliament for the activities and performance of CCWater. These responsibilities include:

- keeping Parliament informed about CCWater's performance;
- securing Parliamentary approval of the amount of grant-in-aid to be paid to CCWater; and
- carrying out responsibilities specified in the Act, including appointments to the board, approving the terms and conditions of board members, approval of the Chief Executive, approval of numbers and terms of employment of staff, and laying of the annual report and accounts before Parliament.

3.2 The Water Reform Team within Defra is the primary contact for CCWater. They are the main source of advice to their responsible Minister on the discharge of his or her

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<sup>1</sup> A "super complaint" is a complaint made in the UK by an approved "super complaint" organisation on behalf of consumers which is fast tracked by the Competition and Markets Authority.

responsibilities in respect of CCWater. They also support Defra's Accounting Officer on his or her responsibilities toward CCWater.

## **The Welsh Ministers**

3.3 The First Minister for Wales has allocated responsibility for CCWater to the Minister for Natural Resources. The Minister for Natural Resources generally exercises functions of the Welsh Ministers in relation to CCWater and sets the policy framework for CCWater's activities for water customers who are served by water companies whose area of supply is wholly or mainly in Wales. The Minister for Natural Resources is accountable to the National Assembly for CCWater's business in Wales. The Minister shall meet with the CCWater board each year to review performance and discuss current and future activities.

3.4 These responsibilities include:

- approving CCWater's strategic objectives and the policy and performance framework within which CCWater will operate (as set out in this Framework Document and associated documents);
- keeping the National Assembly for Wales informed about CCWater's performance;
- agreeing the amount of grant-in-aid to be paid to CCWater.

## **Defra Accounting Officer's Specific Accountabilities and Responsibilities**

4.1 Defra's Permanent Secretary, as the department's Accounting Officer (AO) has designated CCWater's Chief Executive as CCWater's Accounting Officer. The respective responsibilities of the department's AO, the CCWater AO and other arm's length bodies are set out in the Treasury document Managing Public Money<sup>2</sup> which is sent separately to CCWater's Accounting Officer on appointment.

4.2 Defra's AO is accountable to Parliament for any grant-in-aid to CCWater and responsible for advising the responsible Defra Minister on how well CCWater is achieving its strategic objectives and whether it is delivering value for money.

4.3 Defra's AO is also responsible for ensuring arrangements are in place in order to:

- monitor CCWater's financial activities on a continuing basis through an adequate and timely flow of information from CCWater on financial performance, budgeting, control and risk management.
- address significant problems in CCWater, making such interventions as are judged necessary;
- periodically carry out a risk assessment of CCWater's activities to inform departmental oversight of CCWater. This assessment shall take into account the nature of CCWater's activities; the public monies at stake; CCWater's corporate governance arrangements; its financial performance; internal and external auditors'

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<sup>2</sup> <https://www.gov.uk/government/publications/managing-public-money>

reports; the openness of communications between CCWater, Defra and the Welsh Government and any other relevant matters.

## Role of the Principal Accounting Officer to the Welsh Ministers

5.1 The Principal Accounting Officer (PAO) for the Welsh Ministers is the Permanent Secretary to the Welsh Government. The PAO has responsibilities specified by the Treasury and is accountable to the National Assembly (through the National Assembly's Public Accounts Committee) and to the UK Parliament (through the House of Commons Committee on Public Accounts) for:

- the regularity and propriety of the Welsh Government's finances;
- the keeping of proper accounts for the Welsh Ministers; and
- the effective and efficient use of resources including the grant in-aid voted to the [WGSB] under the Welsh Government's Annual Budget Motion.

5.2 The PAO is also responsible for ensuring that the financial and other management controls applied across the Welsh Government are appropriate and sufficient to safeguard public funds. The PAO is assisted in these duties by the Deputy Permanent Secretary for Economy, Skills and Natural Resources whom the PAO has designated as an Additional Accounting Officer (AAO) and to whom the PAO has delegated responsibility for CCWater.

### **Sponsor Department's Additional Accounting Officer's Accountabilities and Responsibilities**

5.3 The Deputy Permanent Secretary for Economy, Skills and Natural Resources is the sponsor department's AAO. He or she is responsible to the Minister and the National Assembly for ensuring that financial and other management controls applied by CCWater conform with the requirements of both propriety and good financial management. Accordingly, the AAO is responsible for ensuring that an adequate statement of the financial relationship between the Welsh Ministers and CCWater is in place and is reviewed regularly; and for the quality of the Welsh Government's relationship with CCWater.

5.4 The AAO is accountable to the National Assembly for the grant-in-aid awarded to CCWater and for advising the Minister:

- on an appropriate framework of objectives and targets for CCWater in the light of the department's wider strategic aims and key delivery and performance indicators.
- on an appropriate budget for CCWater in the light of the sponsor department's overall spending priorities; and
- on how well CCWater is achieving its strategic objectives within the policy and resources framework determined by the Minister and whether it is delivering value for money.

5.5 The AAO is also responsible for ensuring arrangements are in place to:



- monitor CCWater's activities and its financial position through regular meetings and returns;
- address significant problems within CCWater, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and CCWater's objectives and activities;
- inform CCWater of relevant government policy in a timely manner;
- bring to the attention of CCWater's full board any concerns about the activities of the Consumer Council for Water, requiring explanations and assurances that remedial action will be taken; and
- unless covered by the Water Industry Act 1991 designate the Chief Executive of CCWater as its Accounting Officer.

5.6 The AAO has delegated responsibility for the day to day management of relations with CCWater to the Deputy Director of Energy, Water and Flood Division (EWF), who heads the sponsor team within the Welsh Government.

### **Sponsor Team**

5.7 Energy, Water and Flood Division in the sponsor department is the primary contact for CCWater for matters relating to water wholly or mainly in Wales. They are the main source of advice to the Minister on the discharge of his responsibilities in respect of CCWater. They also support the sponsor department's AAO on his responsibilities towards CCWater. Officials of the sponsor team will liaise regularly with CCWater officials to review CCWater's financial performance against plans and the achievement against targets. The sponsor team will also take the opportunity to inform and explain wider policy developments that might impact on CCWater. They are also the first point of contact for CCWater to provide advice for Welsh Ministers in relation to activities which affect water consumers in Wales, e.g. ensuring:

- an appropriate budget for CCWater in the light of overall public expenditure priorities;
- how well CCWater is achieving its strategic objectives and whether it is delivering value for money.

5.8 In support of the relevant departmental Accounting Officers, EWF shall:

- monitor CCWater's activities on a continuing basis through an adequate and timely flow of information from CCWater on performance, budgeting, control and risk management, including early sight of CCWater's Statement on Internal Control;
- address in a timely manner any significant problems arising in CCWater, whether financial or otherwise, making such interventions in the affairs of CCWater as Defra and the Welsh Government judge necessary;
- periodically carry out a risk assessment of CCWater's activities to inform departmental oversight of CCWater; strengthen these arrangements if necessary; and amend the Framework Document accordingly. The risk assessment shall take into account the nature of CCWater's activities; the public monies at stake;



CCWater's corporate governance arrangements; its financial performance; internal and external auditors' reports; the openness of communications between CCWater, Defra and the Welsh Government, and any other relevant matters.

## Communicating with CCWater

### 6.1 Defra and the Welsh Government will:

- inform CCWater of relevant policy on certain statutory, corporate and financial matters in a timely manner; advise on the interpretation of that policy; and issue specific guidance to CCWater as necessary;
- bring concerns about the activities of CCWater to the attention of the full board, and require explanations and assurances from the board that appropriate action has been taken; and
- each agree a Memorandum of Understanding with CCWater on the exchange of information and arrangements for co-operation in areas of mutual interest, in accordance with section 27B of the Act. The Memoranda will be laid before Parliament and reviewed at three yearly intervals and updated where necessary.

## Responsibilities of the Chief Executive as CCWater Accounting Officer

### General

7.1 The Chief Executive of CCWater is designated as CCWater's Accounting Officer by Defra's Accounting Officer and the Welsh Government's Additional Accounting Officer.

7.2 The Chief Executive, as Accounting Officer, is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of CCWater. In addition, he or she should ensure that CCWater as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in the Treasury document Managing Public Money.

### Responsibilities for accounting to Parliament

#### 7.3 The responsibilities include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- signing a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- signing a Statement on Internal Control regarding the system of internal control, for inclusion in the annual report and accounts;

- ensuring that effective procedures for handling complaints about CCWater are established and made widely known within CCWater;
- acting in accordance with the terms of the Treasury document 'Managing Public Money' and other instructions and guidance issued from time to time by Defra, the Welsh Government, Treasury and the Cabinet Office;
- giving evidence, normally with the AOs of Defra and the Welsh Government, when summoned before the Public Accounts Committees (PAC) in both Parliament and the National Assembly for Wales on CCWater's stewardship of public funds.

## **Responsibilities to Defra and the Welsh Government**

### **7.4 Particular responsibilities to Defra and the Welsh Government include:**

- establishing, in agreement with Defra and the Welsh Government, CCWater's Forward Work Programme drawing on Defra's and the Welsh Government's wider strategic aims, objectives and targets;
- informing Defra and the Welsh Government of progress in helping to achieve their policy objectives and in demonstrating how resources are being used to achieve those objectives;
- ensuring that timely forecasts and monitoring information on performance and finance are provided to Defra and the Welsh Government in accordance with the reporting timetable at Appendix 3;
- notifying Defra and the Welsh Government promptly if over or underspends are likely and ensuring that corrective action is taken; and that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to Defra and the Welsh Government in a timely fashion.

## **Responsibilities to the board**

### **7.5 The Chief Executive is responsible for:**

- advising the board on the discharge of CCWater's board responsibilities as set out in this document, in the founding legislation and in any other relevant instructions and guidance that may be issued from time to time;
- advising the board on CCWater's performance compared with its aims and objectives;
- ensuring that financial considerations are taken fully into account by the board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed;
- ensuring a register of interests covering board member's other business roles is maintained to ensure no conflict of interest arises;
- taking action as set out in the Treasury document Managing Public Money if the board, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or

regularity or does not represent prudent or economical administration, efficiency or effectiveness, questionable feasibility, or is unethical.

## The Consumer Council for Water Board

8.1 The CCWater board will consist of the Chair, Chief Executive, English Regional Committee Chairs, Welsh Committee Chair and independent board members. The Chief Executive is the only executive appointment on the board. The board members should have a balance of skills and experience appropriate to directing CCWater's business.

8.2 The board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The board must set up an Audit Committee chaired by an independent non-executive member to provide independent advice. The board is expected to assure itself of the effectiveness of the internal control and risk management systems.

8.3 The board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of CCWater consistent with its overall strategic direction set out in its Forward Work Programme and within the policy and resources framework determined by the Secretary of State and the Welsh Ministers;
- ensuring that the responsible UK Minister and the Welsh Ministers are kept informed of any changes which are likely to impact on the strategic direction of CCWater or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor departments, in Defra and the Welsh Government and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the board takes into account guidance issued by Defra and the Welsh Government;
- ensuring that the board receives and reviews regular financial information concerning the management of CCWater; is informed in a timely manner about any concerns about the activities of CCWater; and provides positive assurance to Defra and the Welsh Government that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the independent audit committee to help the board to address key financial and other risks;
- set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use of public resources; and
- conforming with the terms of the Welsh Government's Welsh Language Scheme until 2016, which it has produced in accordance with Part II of the Welsh Language Act 1993, thereby giving effect to the principle that the Welsh and English



languages should be treated on a basis of equality. From 2016 onward the Welsh Language Standards under the Welsh Language (Wales) Measure 2011 will apply.

### **The Board Chair's personal responsibilities**

8.4 The Chair is responsible to the Secretary of State and the Welsh Ministers. Communications between the CCWater board and the responsible Ministers should normally be through the Chair. He or she is responsible for ensuring that CCWater's policies and actions support the responsible Ministers' wider strategic policies and that its affairs are conducted with probity. Where appropriate, these policies and actions should be clearly communicated and disseminated throughout CCWater.

8.5 In addition, the Chair has the following leadership responsibilities:

- formulating the board's strategy;
- ensuring that the board, in reaching decisions, takes proper account of guidance provided by the Welsh Ministers and/or the Secretary of State;
- promoting the efficient and effective use of staff and other resources;
- delivering high standards of regularity and propriety; and
- representing the views of the board to the general public.

8.6 The Chair also has an obligation to ensure that:

- the work of the board and its members are reviewed and are working effectively;
- the board has a balance of skills appropriate to directing CCWater's business, as set out in the Government Code of Good Practice on Corporate Governance<sup>3</sup> and in accordance with their role set out in the Act;
- board members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other board members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- the responsible Ministers are advised of CCWater's needs when board vacancies arise;
- he or she appraises the performance of individual board members annually and in accordance with Cabinet Office guidelines. Defra should be advised of the outcome of individual performance appraisals. Performance appraisals must be considered when assessing board members for re-appointment;
- there is a code of practice for board members in place consistent with the Cabinet Office Model Code for staff of executive non-departmental public bodies<sup>4</sup>;

<sup>3</sup> <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>

<sup>4</sup> See 'Public Bodies – A Guide for Departments' Chapter 5, Annex A.

- the board conforms with the terms of the Welsh Language Scheme it has produced in accordance with Part II of the Welsh Language Act 1993, thereby giving effect to the principle that the Welsh and English languages should be treated on a basis of equality.

### **Individual board members' responsibilities**

#### **8.7 Individual board members should:**

- comply at all times with the Board Members' Code of Conduct<sup>5</sup> and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the board's rules on the acceptance of gifts and hospitality, and on business appointments;
- act in good faith and in the best interests of CCWater.

## **Annual Report and Accounts**

9.1 CCWater must publish an annual report of its activities together with its audited accounts after the end of each financial year. CCWater shall provide the departments its finalised (audited) accounts between 30 June and 15 July each year. A draft of the report should be submitted to the departments for comment no later than six weeks before the proposed publication date. The finalised annual report must be submitted to Ministers prior to its formal publication and shall be provided to the sponsor departments at least 10 working days before printing.

#### **9.2 The annual report must:**

- cover any corporate, subsidiary or joint ventures under its control;
- comply with the Treasury's Financial Reporting Manual (FRM)<sup>6</sup>;
- outline main activities and performance during the previous financial year and report on the progress of the projects described in CCWater's Forward Work Programme.
- outline the progress that has been made against key performance indicators and other deliverables and outline progress that has been made in taking account of Welsh Government's cross-cutting themes.

9.3 Information on performance against key financial targets is within the scope of the audit and should be included in the notes to the accounts. The report and accounts shall be laid in Parliament and a copy should be submitted to the Welsh Ministers and will be made available on the CCWater website, in accordance with the guidance in the FRM.

<sup>5</sup> [http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct\\_tcm6-38901.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf)

<sup>6</sup> <https://www.gov.uk/government/collections/government-financial-reporting-manual-frm>

9.4 The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the Secretary of State as well as the FReM. CCWater should be mindful of allowing Defra and the Welsh Government sufficient time for their respective auditors to carry out an audit of the accounts and to seek AO and ministerial consent for the accounts to be laid before Parliament.

## Internal Audit

10.1 CCWater shall:

- establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS)<sup>7</sup>;
- ensure the sponsor departments in Defra and the Welsh Government are satisfied with the competence and qualifications of the Head of Internal Audit and the requirements for approving appointments in accordance with the GIAS;
- set up an audit committee of its board in accordance with the Cabinet Office's Guidance on Code of Practice for Public Bodies and the Audit Committee Handbook;
- forward the audit strategy, periodic audit plans and annual audit report, including CCWater's Head of Internal Audit opinion on risk management, control and governance as soon as possible to the sponsor departments; and
- keep records of, and prepare and forward to the department an annual report on fraud and theft suffered by CCWater and notify the Defra and the Welsh Government of any unusual or major incidents as soon as possible.

10.2 Defra and the Welsh Government's internal audit service have a right to assess the effectiveness of CCWater's internal audit arrangements by scrutiny of their plans for future activity, reports of past activity and its annual assurance report; and have access to all documents prepared by CCWater's internal auditor, including where the service is contracted out.

## External Audit

11.1 The Comptroller & Auditor General (C&AG) audits CCWater's annual accounts. In the event that CCWater has set up and controls subsidiary companies, CCWater will in the light of the provisions in the Companies Act 2006 ensure that the C&AG is appointed auditor of those company subsidiaries that it controls and/or whose accounts are consolidated within its own accounts. CCWater shall discuss with the Defra and the Welsh Government procedures for appointing the C&AG as auditor of the companies.

11.2 The Comptroller and Auditor General:

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<sup>7</sup> <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>



- will consult the Welsh Government and the Secretary of State and CCWater on whom – the NAO or a commercial auditor – shall undertake the audit(s) on his behalf, though the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from CCWater;
- will share with Defra and the Welsh Government information identified during the audit process and the audit report (together with any other outputs) at the end of the audit, in particular on issues impacting on the their responsibilities in relation to financial systems within CCWater;
- will, where asked, provide the Welsh Government and Defra and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

11.3 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which CCWater has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, CCWater shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

### **Right of access**

11.4 Defra and the Welsh Government have the right of access to all CCWater records and personnel for any purpose including, for example, sponsorship audits and operational investigations.

11.5 The Auditor General for Wales (by virtue of the Government of Wales Act 1998 as amended by the Public Audit (Wales) Act 2004) shall also have full access to CCWater's books and records for the purpose of carrying out examinations into the economy, efficiency and effectiveness with which CCWater has used its resources in discharging its functions, and to examine matters of regularity and propriety of expenditure and receipts in Wales.

## **Management and Financial Responsibilities**

### **Managing public money and other government-wide corporate guidance and instructions**

12.1 Unless otherwise agreed by Defra, the Welsh Government and the Treasury, CCWater shall follow the principles, rules, guidance and advice in Managing Public Money and Welsh Public Money, referring any difficulties or potential bids for exceptions to the Water Reform Team in Defra in the first instance. A list of guidance and instructions with which CCWater should comply is in Appendix 2.

12.2 Once the budget has been approved by Defra and the Welsh Government and subject to any restrictions imposed by statute, the responsible Minister's instructions and this document, CCWater shall have authority to incur expenditure approved in the budget without further reference to Defra and the Welsh Government, on the following conditions:

- CCWater shall comply with the delegations set out in Appendix 1. These delegations shall not be altered without the prior agreement of Defra and the Welsh Government;
- CCWater shall comply with Managing Public Money regarding novel, contentious or repercussive proposals;
- inclusion of any planned and approved expenditure in the budget shall not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits or is for new schemes not previously agreed;
- CCWater shall provide the Welsh Government and Defra with such information about its operations, performance individual projects or other expenditure as the Welsh Government and Defra may reasonably require;
- CCWater must always ensure that its relationship with Defra and the Welsh Government is recognised appropriately through the use of their sponsor brand marks.

## Corporate Governance

### Board appointments – non-executive board members

13.1 The CCWater Chair, English Regional Committee Chairs and independent board members are appointed by the Secretary of State or delegated Minister. The Welsh Committee Chair is appointed by the Welsh Ministers. The Secretary of State consults the Welsh Ministers before appointing the Chair and both the Secretary of State and the Welsh Government consult the Chair before making their respective appointments.

13.2 The terms of appointment are to be determined by the Secretary of State, with no appointment longer than five years. Appointments can be renewed subject to a good performance appraisal, but no person may be a member for a total period of more than 10 years, whether or not continuous. All appointments must comply with the Code of Practice for Ministerial Appointments to Public Bodies<sup>8</sup>.

### Board appointments – executive board members

13.3 The Chief Executive is appointed to the board by the responsible Minister upon the advice of the Chair.

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<sup>8</sup> <https://www.gov.uk/government/publications/code-of-practice-for-ministerial-appointments-to-public-bodies>

## Risk Management

14.1 CCWater shall ensure that the risks that it faces are dealt with in an appropriate manner, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy, in accordance with Treasury guidance Management of Risk: Principles and Concepts<sup>9</sup>. It should adopt and implement policies and practices to safeguard itself against fraud and theft in line with Managing Public Money. It should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.

## Forward Work Programme and Business Plan

15.1 CCWater shall submit to Defra and the Welsh Government a draft of the Forward Work Programme covering three years ahead. The programme shall reflect CCWater's statutory duties and demonstrate how CCWater contributes to the achievement of Defra's wider objectives for the water sector and the Welsh Government's sponsor department's Information to Deliver Excellence, Accountability and Success (IDEAS) Dashboard. CCWater shall agree with Defra and the Welsh Government the strategic priorities in the draft Forward Work Programme prior to wider public consultation. The forward work programme shall then be finalised by 1<sup>st</sup> April of the year it takes effect.

15.2 CCWater's operational business plan shall outline how CCWater's forward work programme will be delivered each year. The business plan shall include key targets and milestones for the year immediately ahead and shall be linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by Defra and the Welsh Government. Subject to any commercial considerations, the Forward Work Programme and business plans should be published by CCWater on its website and separately be made available to staff.

15.3 The following key matters should be included in the operational business plan:

- key objectives and associated key performance targets for the forward years, and the strategy for achieving those objectives;
- key non-financial performance targets;
- alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast; and
- other matters as agreed between Defra, the Welsh Government and CCWater.

### Budgeting procedures

15.4 Each year, following decisions by Defra and the Welsh Government on the updated draft Forward Work Programme, Defra will:

- send to CCWater a letter delegating the annual budgetary provision; and
- advise CCWater on any planned change in budgetary policies affecting CCWater.

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<sup>9</sup><https://www.gov.uk/government/publications/orange-book>



15.5 In accordance with Standing Order 21 of the Standing Orders of the National Assembly for Wales, the Welsh Government shall, each year, publish its Draft Budget by 15 November and its Final Budget by 10 December. These figures shall be published at Budget Expenditure Line Level and shall set the Welsh Government's contribution to CCWater for the following years. These figures may be revised in the Welsh Government's Supplementary Budget that shall be approved normally no later than 31 March.

## Grant-in-aid and any Ring-fenced Grants

16.1 Grant-in-aid will normally be paid in quarterly instalments on the basis of written applications showing evidence of need. CCWater will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds shall be kept to a minimum level consistent with the efficient operation of CCWater. Grant-in-aid not drawn down by the end of the financial year shall lapse.

16.2 In the event that the Welsh Government and Defra provide CCWater with separate grants for specific (ring fenced) purposes, they would issue the grants as and when CCWater needed it on the basis of a written request. CCWater would provide evidence that the grant was used for the purposes authorised by the Welsh Government and Defra. CCWater shall not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.

16.3 In accordance with section 37(8) of the Water Act 2003, the Secretary of State and the Welsh Ministers shall recover grant in aid to CCWater from the Water Services Regulation Authority (Ofwat).

## Capital Budget/Expenditure

17.1 All requests for the use of grant in aid to fund capital expenditure should be submitted to the Defra sponsor team who will seek approval from the Defra Capital Panel in line with Defra Capital Panel timetables and processes.

## End-year Flexibility

18.1 There is no automatic provision for end-year flexibility and approval must be sought from Defra. Following Defra approval of end-year flexibility, any grant in aid which is agreed and not spent in the financial year of allocation must be used to reduce licence fees for future years unless otherwise agreed by Defra and the Welsh Government.

## Receipts from Sale of Goods or Services

19.1 Receipts from the sale of goods and services (including certain licences where there is a significant degree of service to the individual applicant), rent of land, and dividends are classified as negative public expenditure in national accounts and are therefore normally offset against the Departmental Expenditure Limit (DEL) i.e. they provide additional DEL spending power.

19.2 If there is any doubt about the correct classification of a receipt, CCWater shall consult Defra or the Welsh Government as appropriate, who will consult the Treasury as necessary.

## Fines, Taxes and Other Receipts

20.1 Most fines and taxes (including levies and some licences) are not negative public expenditure and do not provide additional DEL spending power. Such receipts shall either be surrendered to Defra and/or the Welsh Government or, if retained, shall either reduce the need for grant in aid or, if used to finance additional expenditure by CCWater, shall require additional DEL cover from Defra.

## Interest Earned

21.1 Any interest earned by CCWater on its assets shall be given the same budgeting treatment as the cost of capital charge on the assets.

21.2 As per Treasury guidance, the cost of capital charge and any interest receipts on most DEL financed assets score as resource DEL.

21.3 If the receipts are used to finance additional expenditure by CCWater, Defra will need to ensure it has the necessary DEL cover. Any interest earned on cash balances arising from grant in aid or other Exchequer funds shall be treated as a receipt from an Exchequer source. Depending on the budgeting treatment of this receipt, and its impact on CCWater's cash requirement, it may lead to commensurate reduction of grant in aid or be required to be surrendered to the Consolidated Fund via Defra.

## Unforecast Changes in In-year Income

22.1 If the negative DEL income realised or expected to be realised in-year is less than estimated, CCWater shall, unless otherwise agreed with Defra and/or the Welsh Government ensure a corresponding reduction in its gross expenditure so that the authorised provision is not exceeded.

22.2 If the negative DEL income realised or expected to be realised in the year is more than estimated, the board may apply to Defra and/or the Welsh Government to retain the excess income for specified additional expenditure within the current financial year without an offsetting reduction to grant in aid. Defra and/or the Welsh Government shall consider such applications, taking account of competing demands for resources. If an application is refused any grant in aid shall be commensurately reduced or the excess receipts shall be required to be surrendered to the Exchequer via Defra.

## Build-up and Draw-Down of Deposits

23.1 CCWater shall comply with the rules that any DEL expenditure financed by the draw-down of deposits counts within DEL and that the build-up of deposits may represent a saving to DEL (if the related receipts are negative DEL in the relevant budgets).

23.2 CCWater shall ensure that it has the necessary DEL provision for any expenditure financed by draw-down of deposits.

## Gifts and Bequests Received

24.1 CCWater is free to retain any gifts, bequests or similar donations. These shall be treated as receipts.

24.2 Before proceeding in this way, CCWater shall consider if there are any associated costs in doing so or any conflicts of interests arising. CCWater shall keep a written record of any such gifts, bequests and donations and of their estimated value and whether they are disposed of or retained.

## Borrowing

25.1 CCWater shall observe the rules set out in Managing Public Money when undertaking borrowing of any kind. CCWater shall seek the approval of Defra to ensure that it has any necessary authority and budgetary cover for any borrowing or the expenditure financed by such borrowing. Medium or long-term private sector or foreign borrowing is subject to the value-for-money test in Managing Public Money.

## Reserves

26.1 No grant or grant in aid shall be paid into any reserve held by CCWater. Funds in any reserve may be a factor for consideration when grant in aid is determined.

## Reporting Performance

27.1 CCWater shall operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the corporate and business plans. CCWater shall inform the Welsh Government and Defra of any changes that make achievement of objectives more or less difficult. It shall report financial and non-financial performance, including performance in helping to deliver Ministers' policies, and the achievement of key objectives on a regular basis. CCWater's performance shall be formally reviewed by the department annually. The responsible Defra Minister will meet the Chair at least once a year and conduct the Chair's annual appraisal.

### **Providing monitoring information to the departments**

27.2 As a minimum, CCWater shall provide Defra and the Welsh Government with information monthly that will enable them to satisfactorily monitor:

- CCWater's cash management;
- its draw-down of grant-in-aid (quarterly);
- forecast outturn by resource headings;



- other data required for the On-line Information System for Central Accounting and Reporting (OSCAR).

### **CCWater, Defra and the Welsh Government working level liaison arrangements**

28.1 Officials in Defra's Water Reform Team and the EWF in the Welsh Government will liaise regularly with CCWater officials to:

- review financial performance against plans.
- monitor achievement against targets
- monitor expenditure against DEL and Annually Managed Expenditure (AME) allocations.
- explain wider policy developments that might have an impact on CCWater.

## **Banking Arrangements**

29.1 CCWater's Accounting Officer is responsible for ensuring that CCWater's banking arrangements are in accordance with the requirements of Managing Public Money. In particular, he/she shall ensure that the arrangements safeguard public funds and are carried out efficiently, economically and effectively.

## **Delegated Authorities**

30.1 CCWater's delegated authorities are set out in Appendix 1. CCWater shall obtain the Welsh Government and Defra's written approval prior to:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in CCWater's annual budget as approved by the Welsh Government and Defra;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any significant change in the scale of operation or funding of any initiative or particular scheme previously approved by Defra and the Welsh Government;
- making any change of policy or practice which has wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in Managing Public Money.

## CCWater Staff

### Broad responsibilities for CCWater staff

31.1 Within the arrangements approved by the responsible Ministers and in accordance with Cabinet Office spending controls, CCWater will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of gender, marital status, sexual orientation, race, colour, ethnic or national origin, religion, disability, community background or age;
- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and CCWater performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve CCWater objectives;
- consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the Cabinet Office's Model Code for staff of executive non-departmental public bodies<sup>10</sup>.

### Recruitment

31.2 CCWater's Chief Executive can approve both business critical and front-line exemption requests<sup>11</sup> within CCWater without the requirement to seek further approval from Defra. This is on the basis that:

- a) the approval doesn't take CCWater above its agreed headcount as agreed with the department as part of its regular business plan. CCWater should put in place suitable internal processes to ensure requests are still properly scrutinised before they are signed off by the Chief Executive.

<sup>10</sup> See 'Public Bodies – A Guide for Departments' Chapter 5, Annex A.

<sup>11</sup> Frontline vacancies are posts which either have direct contact with the public, statutory regulatory or enforcement responsibilities responsibility for public health and safety or are revenue generating or income protecting. Business critical vacancies are those that are critical to delivering business objectives and cannot be filled from within the civil service or other bodies subject to a recruitment freeze.

b) CCWater continues to provide Publications of Recruitment Expenditure and Recruitment Freeze Dispensations returns data to Cabinet Office via the quarterly return requested by Defra HR.

c) CCWater provides an annual report of exemptions to its sponsor team.

### **Staff costs**

31.3 Subject to its delegated authorities, CCWater shall profile its workload and expenditure effectively, in accordance with Government guidelines, to ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

### **Pay and conditions of service**

31.4 CCWater has delegated authority to determine its own terms and conditions of service for staff, including pay, within the framework of public sector pay policy, as determined by the Treasury and Cabinet Office, and subject to Defra approval.

31.5 If civil service terms and conditions of service apply to the rates of pay and non-pay allowances paid to the staff and to any other party entitled to payment in respect of travel expenses or other allowances, payment shall be made in accordance with the Civil Service Management Code<sup>12</sup> except where prior approval has been given by Defra to vary such rates.

31.6 Staff terms and conditions should be set out in an Employee Handbook, which should be provided to Defra together with subsequent amendments.

31.7 CCWater shall adopt and operate by April 2016 non-contractual performance related pay arrangements, as part of their reward mechanisms for staff, which are consistent with public sector pay policy, as determined by the Treasury and Cabinet Office, and subject to Defra approval.

31.8 The travel expenses of board members shall be tied to the rates allowed to staff of CCWater. Reasonable actual receipted costs shall be reimbursed.

31.9 CCWater shall comply with the EU Directive on contract workers – the Fixed-Term Employees (Prevention of Less Favourable Treatment) Regulations.

### **Pensions, redundancy and compensation**

31.10 CCWater staff shall normally be eligible for a pension provided by PCSPS. Staff may opt out of the occupational pension scheme provided by CCWater. The employers' contribution to any personal pension arrangement (including stakeholder pension) shall normally be limited to the national insurance rebate level.

31.11 Any proposal by CCWater to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of Defra. Proposals on severance must comply with the rules in Managing Public Money.

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<sup>12</sup> <https://www.gov.uk/government/publications/civil-servants-terms-and-conditions>



## Arrangements In The Event of CCWater Being Abolished or Restructured

32.1 In the event of Defra, the Welsh Government or another Government department putting arrangements in place for the abolition or restructuring of CCWater, the Welsh Government and Defra will ensure that the assets and liabilities of CCWater are passed to any successor organisation and accounted for. (In the event that there is no successor organisation, the assets and liabilities should revert to Defra or the Welsh Government as appropriate). To this end, Defra or the lead department shall:

- ensure that procedures are in place in CCWater to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
- specify the basis for the valuation and accounting treatment of CCWater's assets and liabilities;
- ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that funds are in place to pay for such audits. It shall be for the C&AG to lay the final accounts in Parliament (following consultation with Welsh Ministers), together with his/her report on the accounts;
- arrange for the most appropriate person to sign the closing accounts. In the event that another NDPB or WGSB takes on the role, responsibilities, assets and liabilities, the succeeding NDPB AO or WGSB AO should sign the closing accounts. In the event that Defra inherits the role, responsibilities, assets and liabilities, Defra's AO should sign. In the event that the Welsh Government inherits the role in relation to responsibilities, assets and liabilities in Wales, the Welsh Government's AO should sign where appropriate.

32.2 CCWater shall provide Defra and the Welsh Government with full details of all agreements where CCWater or its successors have a right to share in the financial gains of developers. It should also pass to the Defra details of any other forms of claw-back due to CCWater.

## Review of Framework Document

33.1 This Framework Document will be reviewed again in 2017/18 following the triennial review of CCWater's role and functions. The Treasury will be consulted on any significant variations proposed to this Framework Document.

## List of Appendices

Appendix 1 - List of delegated authorities

Appendix 2 - List of government-wide corporate guidance instructions

Appendix 3 – CCWater reporting calendar to Defra and the Welsh Government

Signed by (Tony Smith)



(On behalf of CCWater)

Signed by (Gabrielle Edwards)



(On behalf of Defra)

Signed by (Prys Davies)



(On behalf of the Welsh Ministers)

## APPENDIX 1

### LIMITS OF DELEGATED AUTHORITY

Category	CCWater Limit
<b>Capital Expenditure</b>	No authority - All Capital expenditure to be agreed with Defra in advance of any spend.
<b>(B) Cash Losses:</b>	
(i) Losses by theft, fraud, fire, arson, sabotage or gross carelessness.	£50,000
(ii) Book-keeping Losses:	
(a) Physical loss of cash or equivalent due to fire, accident or other similar cause.	£50,000
(b) Un-vouched or incompletely vouched payments including cases where vouchers are missing.	£20,000
(iii) Exchange Rate Fluctuations (major losses due to fluctuations in exchange rates or revaluations in currencies and write-offs).	NO AUTHORITY
(iv) Losses arising from overpayments of: pay; pensions and allowances; under deductions of social security.	£20,000
(v) Losses due to failure to make adequate charges for the use of public property or services.	NO AUTHORITY (except when subletting property to non-governmental bodies at below market value in which case the limit is £10,000)
<b>(C) Losses of Accountable Stores:</b>	
(i) Losses known to be due to fraud, theft, sabotage or where there is any other culpable cause (including malicious damage to buildings, stores, etc).	£50,000



(ii) Losses due to other causes	£20,000
<b>(D) Fruitless Payments (e.g. payments for travel tickets or accommodation, etc wrongly booked or not used).</b>	£20,000
<b>(E) Constructive Losses (e.g. goods purchased or paid for proven to be less useful than expected when the expenditure was authorised)</b>	£20,000
<b>Category</b>	<b>CCWater Limit</b>
<b>(F) Special Payments:</b>	
(i) Extra contractual and ex-gratia payments to contractors.	£5,000
(ii) Other ex-gratia payments.	£5,000
(iii) Gifts of stores or property from other public bodies.	£5,000
(iv) Gifts to visiting dignitaries.	£200
(v) Rewards for returned stolen property.	£500
(vi) Extra-statutory and extra-regulatory payments.	£1,500
<b>(G) Compensation Payments:</b>	
(i) Loss or damage to personal property of members or staff on official business; or damage to property of third parties in the course of CCWater activities or loss of money while on official business overseas and at home.	£10,000
(ii) Personal injury to members of the public suffered on CCWater property and to members/staff in the course of CCWater business.	£10,000
<b>(H) Gifts received by CCWater</b>	<b>NO LIMIT</b>

## APPENDIX 2

### **Compliance with corporate guidance and instructions issued by the UK Government and the Welsh Government**

CCWater shall comply with the following general guidance documents and instructions:

- This Framework Document;
- Appropriate adaptations of sections of Corporate Governance in Central Government Departments: Code of Good Practice, <https://www.gov.uk/government/publications/corporate-governance-code-for-central-government-departments>;
- Code of Conduct for Board Members of Public Bodies, [http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct\\_tcm6-38901.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/code-of-conduct_tcm6-38901.pdf);
- Code of Practice for Ministerial Appointments to Public Bodies, <https://www.gov.uk/government/publications/code-of-practice-for-ministerial-appointments-to-public-bodies>;
- Managing Public Money, <https://www.gov.uk/government/publications/managing-public-money>;
- Public Sector Internal Audit Standards, <https://www.gov.uk/government/publications/public-sector-internal-audit-standards>;
- Management of Risk: Principles and Concepts, <https://www.gov.uk/government/publications/orange-book>;
- HM Treasury Guidance on Tackling Fraud, [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf);
- Government Financial Reporting Manual (FREM), <https://www.gov.uk/government/collections/government-financial-reporting-manual-frem>;
- Fees and Charges Guide, Chapter 6 of Managing Public Money;
- Departmental Banking: A Manual for Government Departments, Annex 5.6 of Managing Public Money;
- Relevant 'Dear Accounting Officer' letters;
- Regularity, Propriety and Value for Money, [http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr\\_governance\\_valueformoney.htm](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hm-treasury.gov.uk/psr_governance_valueformoney.htm);
- Consolidation Officer Memorandum and relevant Dear Consolidation Officer letters;
- Relevant Freedom of Information Act guidance and instructions;
- Model Code for Staff of Executive Non-departmental Public Bodies, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/80082/PublicBodiesGuide\\_2006\\_5\\_public\\_body\\_staffv2\\_0.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/80082/PublicBodiesGuide_2006_5_public_body_staffv2_0.pdf);
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments;
- Specific instructions and guidance issued by the sponsor Departments;
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the UK Government and or the Welsh Government which are relevant to CCWater.

## APPENDIX 3

### CCWater Reporting Calendar to Defra and Welsh Government

<b>Finalised Forward Work Programme</b>	<b>March</b>
<b>CCWater Operational Business Plan for new FY</b>	<b>April</b>
<b>CCWater draft Annual Report and Accounts for last FY</b>	<b>May</b>
<b>CCWater Annual Report and Accounts for last FY</b>	<b>June</b>
<b>Draft Forward Work Programme</b>	<b>October</b>
<b>Draft Forward Work Programme for Wales</b>	<b>October</b>
<b>Draft Budget for next FY</b>	<b>November</b>
<b>Draft Operational Business Plan for next FY</b>	<b>December</b>



