

# **Consumer Council for Water**

## **Annual Report and Accounts 2006-07**

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## **Annual Report and Accounts**

### **2006-07**

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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 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 2006 to 31 March 2007.

Under 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 is a national body with 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 operates through nine regional 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 (WAG). The Council 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 WAG to fund CCWater's operations.

The Water Act 2003 gives the Council 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.

The Council also has super complainant status under the Enterprise Act 2002.

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

- to provide advice and information to the Council 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 the Council.

## ROLES AND RESPONSIBILITIES

The membership of the Board as at 31 March 2007 was:

		Appointed:	Term:
Council Chair:	Dame Yve Buckland	1 April 2005	4 yrs
Chief Executive:	Tony Smith	1 December 2005	4 yrs
English Regional Committees:			
Eastern	Catherine Harvey	1 October 2005	2 yr
Midlands	Sir James Perowne	1 October 2005	3 yrs 9 mths
Northern	Andrea Cook OBE	1 October 2005	3 yrs 9 mths
Southern	Dr Richard Sturt	1 October 2005	2 yr
Thames	David Bland OBE	1 October 2005	3 yrs 9 mths
Western	Charles Howeson	1 October 2005	3 yrs 9 mths
Wales Committee Chair:	Diane McCrea	1 October 2005	4 yrs
Independent members:	Michael Barnes	1 November 2005	4 yrs
	Timothy Hornsby	1 October 2005	3 yrs 9 mths
	Narendra Makanji	1 November 2005	4 yrs
	Janet Paraskeva	1 October 2005	3 yrs 9 mths

## Board Appointments

The English Regional Committee Chairs and Independent members were appointed by the Secretary of State. The Welsh Assembly Government appointed the Welsh Committee Chair. All appointments were made for a period of up to four years, with differing periods to allow for continuity. 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 on 1 December 2005. The Chief Executive, on his appointment, was designated as the Council's Accounting Officer by the Accounting Officer of the Department for Environment, Food and Rural Affairs.

## Company Directorships

CCWater maintains a Register of Interests, which is freely available to be viewed by the public on request to the Board Secretary of the Council.

## Authority Committees

The Council had three committees reporting directly to the Board:

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

The membership of the Committees as at 31 March 2007 was:

**Audit and Risk Management Committee**

Independent members:	Michael Barnes – Chair Narendra Makanji
Regional Chairs:	Sir James Perowne Richard Sturt
In attendance:	Chief Executive (Accounting Officer) Finance and Resources Manager Board Secretary External Audit representatives Internal Audit representatives

The members of the committee were appointed at the Board meeting held on 1 November 2005. 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 2007.

The role of the committee is to:

- Promote the highest standards of propriety in the use of public funds by the Council and its regional committees and encourage proper accountability for the use of those funds.
- Advise the Council on anything that affects the financial health, probity or external reputation of the organisation.
- Ensure the system of internal controls of the Council complies with HM Treasury requirements.
- 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 the Council 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 Janet Paraskeva
Regional / Wales Chairs:	David Bland Diane McCrea
In attendance:	Chief Executive (Accounting Officer) Finance and Resource Manager Head of Corporate Services Board Secretary

The members of the committee were appointed at the Board meeting held on 1 November 2005. Membership is reviewed and confirmed by the Board annually at the end of each financial year. The committee met twice in the period to 31 March 2007.

The role of the committee is to:

- Oversee the use of the Council's resources via the corporate planning process.
- Oversee arrangements for staffing and the Human Resources strategy of the Council.

**Remuneration Committee**

Independent members:	Janet Paraskeva – Chair Narendra Makanji
Regional Chairs:	Catherine Harvey David Bland
In attendance:	Board Secretary

The members of the committee were appointed at the Board meeting held on 1 November 2005. Membership is reviewed and confirmed by the Board annually at the end of each financial year. The committee met four times in the period to 31 March 2007.

The role of the committee is to:

- Advise the Council on the 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 any changes to the salary and performance bonus of the Chief Executive and then to determine whether the Chief Executive should receive any increases in salary or performance bonus.
- Advise the Council on matters relating 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.
- 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 appropriate advice.

**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 2006-07 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.

**External Audit**

The accounts have been audited by the Comptroller and Auditor General in accordance with the Water Act 2003. The audit certificate is on pages 20 to 21. The cost of the external audit for 2006-07 was £29,000. 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:

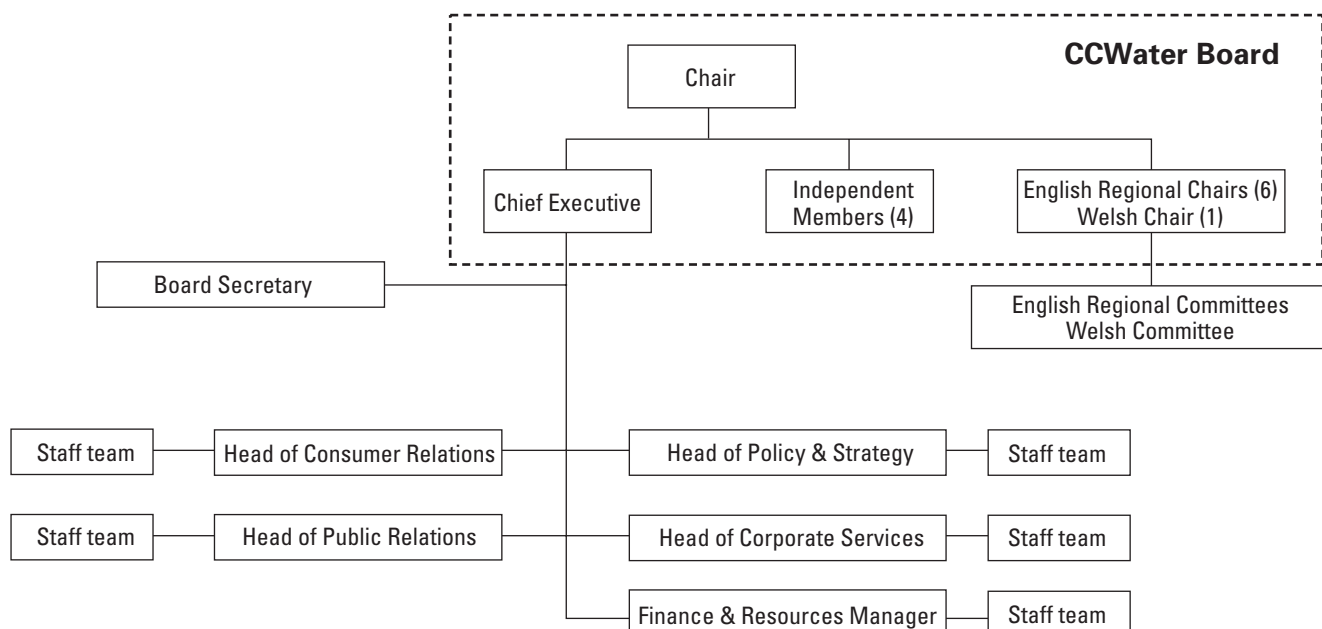
- the development and performance of the business of CCWater during the financial year;
- the position of CCWater at the end of the year;
- the main trends and factors underlying the development, performance and position of the business of CCWater during the financial year; and
- the main trends and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

### Development and Performance

In April 2006 the Board accepted the outline proposals of a new structure for regional offices proposed by the Chief Executive with staff being more focussed either on complaint handling or policy development and implementation. The new structure was implemented during the course of 2006-07. The Chief Executive also proposed, and had accepted by the Board, a revised organisational structure for CCWater’s functions. (Illustrated in figure 1 below.)

On 1 November 2006 a new Head of Consumer Relations, Carl Pegg, took up post. A first task for this new member of staff was to review the existing complaint handling processes across the organisation to move towards a more consistent approach from office to office. In collaboration with staff during the course of the year new working practices have been put in place to achieve the required consistency. The work continues into 2007-08.

**Figure 1:**  
Organisational Structure as at 31 March 2007



An ICT infrastructure agreement with Northgate Information Systems was signed on 25 April 2006. All of CCWater's IT hardware, software and related support is now provided under this agreement, which is for three years.

During 2006-07 considerable effort went into the delivery of the Operational Business Plan of the organisation. Activities centered around five key themes which had been identified as reflecting the issues to which domestic and business consumers were consistent in attaching great importance:

- Value for money – a fair, affordable price and charging scheme
- Right first time – consumers' problems sorted out quickly without hassle
- Water on tap – a safe, secure, reliable supply of water used wisely
- Flush and go – responsible removal of sewage, prevention of sewer flooding and reduction in persistent smells from sewage treatment works
- Speaking up for water consumers – influential in achieving improvements for consumers.

A work progress monitoring report was developed 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 work project managers and were reviewed by both the executive team and the Board of the organisation.

A statutory requirement for the organisation was the review and development of the Forward Work Programme and the preparation of a supporting Operational Business Plan for 2007-08 by 31 March 2007. 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 and stakeholder workshops.

The Forward Work Programme 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, 2006-07**

In 2006 there was considerable focus on the water industry particularly related to hose pipe bans and the failure by some companies to meet leakage targets. As a result the industry and its regulators were under the spotlight of the media and government. CCWater was a very active commentator on behalf of consumers.

Significant effort was spent during the course of 2006-07 responding to the Department of Trade and Industry's (DTI) proposals for the reform of consumer representation and redress. In the original consultation document published on 25 January 2006 *'Proposals to strengthen and streamline consumer advocacy: a consultation on consumer representation and redress'*, the proposal was that CCWater should not be part of the initial group of sectoral consumer bodies to be incorporated in the new arrangements, but that consultation should take place in 2008 as to its merger into the proposed new body. However it was further suggested by CCWater to the DTI that the consultation should take place in 2010 rather than 2008 – giving CCWater a fair chance to prove its worth and to demonstrate the distinctive elements of a monopoly sector that must be captured if effective representation of consumers is to be achieved. Discussions continue on this subject.

Over the period of the year 2006-07 customer complaints and enquiries increased, so putting greater pressure on staff working in the area. This pressure was a factor taken into account in the refocusing of work within the English regional and the Wales offices which, as detailed above, took place in 2006-07.

The organisation undertook work in benchmarking itself against other appropriate consumer representative organisations. This was to ensure CCWater delivers the highest possible level of value for money. Work was also undertaken to ensure that all internal service level agreements were again providing the best possible level of value for money.

### **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 the 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 also acts on behalf of businesses as well as domestic households.

### **Future development, performance and position**

In 2007-08 CCWater will be undertaking work as outlined in its, now published, Operational Business Plan. It will be essential that the organisation delivers what has been promised to stakeholders. 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 reporting mechanisms.

The DTI reorganisation of consumer representation will progress during 2007-08 and CCWater will keep itself fully aware of this process.

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

- The organisation does not fully deliver its Forward Work Programme
- The organisation fails to convince customers of its validity as an organisation capable of representing consumers and being effective
- DTI reorganisation of consumer representation distracts CCWater from delivery of its Forward Work Programme
- There is a loss of key staff as a result of the DTI review in 2008
- 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.

### **Support services**

In addition to an ICT infrastructure agreement with Northgate Information Systems, several support services used within CCWater were provided during 2006-07 by Ofwat: financial services, facilities management services, library and information services and human resources services. These services were managed using service level agreements (SLAs) between the two organisations.

## FINANCIAL COMMENTARY

The main financial highlights are summarised below:

### Operating costs summary

	2006-07	2005-06 (restated)
	£000s	£000s
<b>Income</b>		
Operating Income	83	50
	83	50
<b>Expenditure</b>		
Operating costs	5,841	5,152
<b>Net Operating Costs</b>	<b>5,758</b>	<b>5,102</b>

In accordance with CCWater's Accounts Direction, merger accounting treatment was applied in 2005-06, and the accounts were prepared for the full financial year. The income, expenditure, assets and liabilities of WaterVoice for the six months ended 30 September 2005 were transferred to CCWater from Ofwat.

The budget for CCWater during 2006-07 was set at £5.85m.

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 1.7 to the accounts) over the financial year.

Authority for us to incur expenditure is provided by Parliament through the public expenditure process.

Grant in Aid of £1,325k intended for 2007/08 was received prior to the balance sheet date. This has the effect of increasing cash and reserves.

### Equal opportunities policy

We recruit staff on merit through fair and open competition. This 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 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.

### 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 staff recruited into the organisation received full induction training and a programme of specialist training is given to all staff to develop appropriate skills.

### Payment of suppliers

We achieved 99 per cent against the Government target for paying agreed invoices within 30 days of receipt during 2006-07. The corresponding figure for 2005-06 was 100 per cent.

*Tony Smith*  
Chief Executive and Accounting Officer  
CCWater  
3 July 2007

## Remuneration Report

### Senior management team

The composition of the senior management team in the reporting period was as follows:

Tony Smith	Chief Executive
Teresa Evans	Head of Policy & Strategy
Carl Pegg	Head of Consumer Relations
Jane Morris	Acting Head of Corporate Services
Andrew Marsh	Head of Public Relations

The Chief Executive was appointed by the Secretary of State as a member of the Board. His contract runs for four years from 1 December 2005 and has a six months 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 salary.

The contracts of Teresa Evans, Jane Morris, Andrew Marsh and Carl Pegg are standard open-ended contracts with three months notice period.

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.

### Remuneration Committee

Independent members: Janet Paraskeva – Chair  
Narendra Makanji

Regional Chairs: Catherine Harvey  
David Bland

The role of this committee is described earlier.

### Staff remuneration

A performance related pay (PRP) system applies to all staff. Independent members provide independent scrutiny covering the overall performance of the organisation and the consistency and fairness of the PRP process.

A committee, chaired by the Chief Executive, makes recommendations to the Secretary of State on the percentage of the paybill that is available for performance awards each year together with the percentage increase award for each representative box mark. Members of the committee are the Chief Executive and the senior management team.

The total amount available is the agreed percentage of the sum of the salaries of staff in post at 31 July. Performance related pay is determined by the appraisal box mark system and is a proportionate share of the total sum. It is awarded as a percentage increase in basic salary. Performance rated as "unsatisfactory" or "unacceptable" does not receive a performance related pay award.

New pay awards take effect from 1 August and 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 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 the Treasury's instructions and as described below.

The following information is subject to audit.

### Remuneration of Senior Managers

Disclosure of Salary Information 12 months ended 31 March 2007:

Name	2006-07		2005-06	
	Salary including performance pay	Benefits in kind (to nearest £100)	Salary including performance pay	Benefits in kind (to nearest £100)
	£000	£100	£000	£100
Tony Smith Chief Executive Appointed 1 December 2005	100–105	–	25–30 (full year equivalent 85–90)	–
Teresa Evans** Head of Policy & Strategy Appointed 1 October 2005	60–65	–	50–55	–
Carl Pegg Head of Consumer Relations Appointed 1 November 2006	20–25 (full time equivalent 50–55)	–	–	–
Jane Morris** Acting Head of Corporate Services Appointed 1 March 2005	45–50	–	35–40	–
Andrew Marsh** Head of Public Relations	40–45	–	40–45	–

\*\* Salaries include work for WaterVoice in the period 1 April 2005 to 30 September 2005.

### Salary

“Salary” covers both pensionable and non-pensionable amounts and includes gross salary; performance pay or bonuses; overtime; 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 Inland Revenue as a taxable emolument. There were no benefits in kind during the year.

The Chief Executive is a member of the Classic Pension Scheme.

## Remuneration of Board Members

	<u>2006-07</u>	<u>2005-06</u>	<u>2005-06</u>
	Salary £000	Salary £000	Salary £000 Full year equivalent
Dame Yve Buckland (Chair)	45-50	45-50	45-50
David Bland	20-25	10-15	20-25
Andrea Cook	30-35	25-30	30-35
Catherine Harvey	20-25	20-25	20-25
Charles Howeson	30-35	20-25	30-35
Diane McCrea	30-35	10-15	20-25
Sir James Perowne	20-25	20-25	20-25
Richard Sturt	20-25	20-25	20-25
Mike Barnes	5-10	5-10	5-10
Timothy Hornsby	5-10	5-10	5-10
Narendra Makanji	5-10	5-10	5-10
Janet Paraskeva	5-10	5-10	5-10

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

Board member posts are non-pensionable.

## Disclosure of Pension Information 12 months ended 31 March 2007:

Name	Real increase in pension at 60 £000	Real increase in lump sum £000	Total accrued Pension at End Date £000	Lump sum at 31 March 2007 £000	CETV at 31 March 2006 £000	CETV at 31 March 2007 £000	Real increase in CETV funded by employer £000
Tony Smith Chief Executive	5-10	N/A	10-15	N/A	68	211	132
Teresa Evans Head of Policy & Strategy	0-5	10-15	20-25	70-75	348	423	66
Carl Pegg Head of Consumer Relations Appointed 1.11.06	20-25	N/A	20-25	N/A	179	260	-
Jane Morris Acting Head of Corporate Services	0-5	10-15	15-20	45-50	208	274	63
Andrew Marsh Head of Public Relations	0-5	N/A	0-5	N/A	28	39	8

## Civil Service Pensions

Pension benefits for CCWater staff are provided through the CSP arrangements. From 1 October 2002, they may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' 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 (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

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. 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).

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

### **Cash Equivalent Transfer Values (CETV)**

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 CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of 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  
CCWater  
3 July 2007



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

Under the Water Act 2003, the Secretary of State for 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.

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 judgements 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 CCWater. 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 CCWater's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in *Government Accounting*.

## STATEMENT ON INTERNAL CONTROL

### 1. 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 Government Accounting.

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 National Assembly of Wales, and CCWater are set out in the Management Statement for CCWater, which is based on models prepared by HM Treasury and the National Assembly of Wales.

### 2. 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 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. The 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"

"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, including internally facing 'corporate' provision. The ongoing 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. Alongside this, a training programme for staff was implemented to ensure that staff were equipped to manage risk in a way appropriate to their authority and duties.

#### 4. 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 four 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 Risk and Performance Management Team monitors 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.

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

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

- corporate risk appetite
- delegated risk appetite
- project risk appetite

#### 5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control 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 on the implications of the result of my review of the effectiveness of the system of internal control by the board, the Audit and Risk Management Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

As a result of the comprehensive review of the system of internal control that I have conducted, supported by reports provided from internal audit, reviews conducted by the Audit and Risk Management committee and regular discussions at Board meetings on appropriate topics, I feel no significant controls issues have been identified.

In conclusion, I would identify further improvements to the system of internal control CCWater has in place. These improvements have been identified during the review of aspects of the system and steps will be taken to implement and embed them within the organisation during 2007-08:

- To revisit the governance checklist constructed by internal audit to ensure any further actions required have been taken.
- To put in place arrangements to ensure that where Government Procurement Cards are issued, documentation is retained as evidence of appropriate authorisation.
- To put in place arrangements to maintain an on-going cross referencing between the organisation's risk register and the work progress report to ensure that key risks facing the organisation are appropriately addressed.

*Tony Smith*  
Chief Executive and Accounting Officer  
CCWater  
3 July 2007

## 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 2007 under the Water Act 2003. These comprise the Statement of Net Expenditure, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses 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 being audited.

### Respective responsibilities of the Council, Chief Executive and Auditor

The Council and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Water Act 2003 and Secretary of State for the Environment, Food and Rural Affairs directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Consumer Council for Water and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Water Act 2003 and Secretary of State for the Environment, Food and Rural Affairs directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Introduction, Management Commentary and the Roles and Responsibility section, is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Consumer Council for Water has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Consumer Council for Water's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Consumer Council for Water's corporate governance procedures or its risk and control procedure.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

### Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Council and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Consumer Council for Water's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Audit Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Water Act 2003 and directions made thereunder by the Secretary of State for the Environment, Food and Rural Affairs, of the state of the Consumer Council for Water's affairs as at 31 March 2007 and of net expenditure for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Water Act 2003 and the Secretary of State for the Environment, Food and Rural Affairs directions made thereunder; and
- information given within the Annual Report which comprises the Introduction, Management Commentary and the Roles and Responsibility section, is consistent with the financial statements.

### **Audit 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.

### **Report**

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

July 2007

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

**Statement of Net Expenditure***for the year ended 31 March 2007*

		<b>2006-07</b>	<b>2005-06</b>
		<u>£000s</u>	<u>(restated)</u>
	Note	<u>£000s</u>	<u>£000s</u>
<b>Gross Income</b>			
Operating income	3	<u>83</u>	<u>50</u>
		<u>83</u>	<u>50</u>
<b>Expenditure</b>			
Staff costs	2.1	3,012	2,600
Other operating costs	4	<u>2,829</u>	<u>2,552</u>
		<u>5,841</u>	<u>5,152</u>
<b>Net Operating Costs</b>			
Notional cost of Capital		(5,758)	(5,102)
		<u>-</u>	<u>2</u>
<b>Deficit for the financial year after notional cost of capital</b>			
Reversal of notional cost of Capital		(5,758)	(5,100)
		<u>-</u>	<u>(2)</u>
<b>Net expenditure for the financial year</b>			
		<u>(5,758)</u>	<u>(5,102)</u>

All income and expenditure are derived from continuing activities.

**Statement of Total Recognised Gains and Losses***for the year ended 31 March 2007*

	<b>2006-07</b>	<b>2005-06</b>
	<u>£000s</u>	<u>(restated)</u>
	<u>£000s</u>	<u>£000s</u>
Net expenditure for the financial year	(5,758)	(5,102)
Unrealised net gain/(loss) on revaluation of fixed assets	-	7
<b>Total recognised gains and losses for the financial year</b>	<u>(5,758)</u>	<u>(5,095)</u>

Due to the change in accounting policy regarding the treatment of grant in aid and prior year funding income there is a £869k increase in net assets, reflected in the General Reserve. (See note 1.2)

The notes on pages 25 to 33 form part of these accounts.

## Balance Sheet as at 31 March 2007

	Note	31 March 2007		31 March 2006 (restated)	
		£000s	£000s	£000s	£000s
<b>Fixed assets:</b>					
Intangible assets	5		105		9
Tangible assets	6		271		243
			<u>376</u>		<u>252</u>
Debtors (falling due after more than one year)	7		99		–
<b>Current assets:</b>					
Debtors	7	270		331	
Cash at bank and in hand	8	<u>2,235</u>		<u>877</u>	
		2,505		1,208	
<b>Creditors (amounts falling due within one year)</b>	9	<u>(582)</u>		<u>(351)</u>	
<b>Net current assets</b>			1,923		857
<b>Provision for liabilities and charges</b>	10		<u>(219)</u>		<u>(197)</u>
<b>Total net assets</b>			<u>2,179</u>		<u>912</u>
<b>Capital and Reserves</b>					
General Reserve	11		2,172		905
Revaluation reserve	11		7		7
			<u>2,179</u>		<u>912</u>

*Tony Smith*  
 Chief Executive and Accounting Officer  
 CCWater  
 3 July 2007

The notes on pages 25 to 33 form part of these accounts.



**Cash Flow Statement***For year ended 31 March 2007*

		<b>2006-07</b>	<b>2005-06</b>
		<u>£000s</u>	<u>(restated)</u>
	Note		£000s
<b>Net cash inflow/(outflow) from Operating activities</b>	13 i	(5,481)	(4,817)
<b>Capital expenditure</b>	13 ii	(186)	(235)
<b>Financing</b>	13 iii	7,025	5,971
<b>Increase/(Decrease) in cash</b>	13 iv	<u><b>1,358</b></u>	<u><b>919</b></u>

The notes on pages 25 to 33 form part of these accounts.

## Notes to the accounts

### 1. Statement of accounting policies

The financial statements have been prepared in accordance with the Financial Reporting Manual (FRM), and financial reporting standards issued or adopted by the Accounting Standards Board, and are in accordance with the Accounts Direction issued by the Secretary of State for DEFRA. The accounting policies adopted by CCWater are described below they have been applied consistently in dealing with items considered material in relation to the financial statements.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs.

#### 1.2 Change of accounting policy

With effect from the 2006-07 reporting period the FRM requires Non Departmental Public Bodies to account for grants and grants in aid received for revenue purposes as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest in the residual interest of NDPBs. This is a change in accounting policy from earlier periods when such items were recorded as income. Funding income recognised in the prior year financial statements was recognised as they were incurred and this is now deemed to be grant in aid in substance. Grant in Aid is recognised as it is received, therefore giving an impact on the net assets of CCWater as at 31 March 2006. The effect of this change on the certified 2005/06 accounts is to derecognise deferred income, from licence fees received in advance and recognise the received funding in the general reserve. This is shown in the reserves (note 11).

#### 1.3 Fixed assets

Tangible and intangible assets have been stated at current cost using indices provided by the Valuation Office.

Tangible fixed assets consist of furniture fixtures and fittings, office machinery, leasehold improvements and IT. Telecommunications equipment and office machinery have been combined and leasehold improvements have been separated out from furniture and fitting during the year. Intangible fixed assets comprises of purchased software licences.

With the exception of PCs and office furniture, individual assets must exceed a capitalisation threshold of £1,000 for inclusion as fixed assets. PCs and office furniture items falling below the threshold are capitalised as groups. A threshold of £250 exists for individual items to be classified as grouped fixed assets.

#### 1.4 Depreciation and amortisation

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

<b>Asset classification</b>	<b>Asset life</b>
Furniture, fixtures and fittings	10 years
IT equipment	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.

### 1.5 Leases

CCWater had no finance leases as at 31 March 2007 (31 March 2006: 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.

### 1.6 Grants and Grant-in-Aid

CCWater is financed by grant-in-aid from Defra and WAG 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 General Reserve.

Prior year licence fee income is now deemed to be grant in aid in substance

### 1.7 Capital charge

A charge, reflecting the cost of capital utilised by the department, is included in operating costs. 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 cash balance with the Office of the Paymaster General (OPG), where the charge is nil.

### 1.8 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 fixed assets.

### 1.9 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 2.2 per cent).

### 1.10 Contingent liabilities

In addition to contingent liabilities disclosed in accordance with FRS 12, 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 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 FRS 12 are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by FRS 12 are stated at the amounts reported to Parliament.

## 2. Staff numbers and related costs

### 2.1 Staff costs consist of:

	2006-07			2005-06
	Permanent Staff £000s	Other Staff £000s	Total £000s	Total £000s
Total staff costs including the Chief Executive's were:				
Wages and salaries	1,978	525	2,503	2,040
Social security costs	157	–	157	145
Pension costs	352	–	352	415
<b>Total net costs*</b>	<b>2,487</b>	<b>525</b>	<b>3,012</b>	<b>2,600</b>

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

### 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. Agency, casuals and CCWater members are included in the other staff costs in the table above.

### Pension

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, and we are unable to identify our share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. 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)

For 2006-07, normal employer contributions of £321,373, were payable to the PCSPS (2005-06: £264,764) at one of four rates in the range 17.1 to 25.5 per cent (2005-06: 16.2 to 24.6 per cent) of pensionable pay, based on salary bands. £31k was payable in early retirement benefits during the year. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,760.40 for 2006-07 (2005-06: nil) was paid to one or more of a panel of four appointed stakeholder pension providers. Employer contributions are age related and range from 3 to 12.5 per cent (2005-06: 3 to 12.5 per cent) of pensionable pay. Employers also match employee contributions of up to 3 per cent of pensionable pay. In addition, employer contributions of £426.99, 0.8 per cent (2005-06: nil, 0.8 per cent) of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the **partnership** pension providers at the balance sheet date was £56.54.

Contributions prepaid at that date were nil.

### 2.2 Average numbers of people employed

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

#### Average number of staff

	2006-07	2005-06
Staff permanently employed by CCWater	73	64
*Others engaged on the objectives of CCWater	8	10
<b>Total</b>	<b>81</b>	<b>74</b>

\* This includes temporary staff.

**3. Income**

	<u>2006-07</u>	<u>2005-06</u>
	£000s	£000s
Other Income	83	50
<b>Total</b>	<b>83</b>	<b>50</b>

Other income is income from sub-letting parts of the Eastern, Wessex and Manchester regional offices.

**4. Administration costs and other expenditure**

	<u>2006-07</u>	<u>2005-06</u>
	£000s	£000s
<b>Rentals under operating leases:</b>		
Accommodation	595	525
IT Software	148	–
Office equipment	15	13
	<u>758</u>	<u>538</u>
<b>Non cash items:</b>		
Depreciation of tangible fixed assets	42	19
Amortisation of intangible fixed assets	15	3
(Profit)/Loss on disposal of fixed assets	4	–
Early retirement	55	197
Unwinding of discount	5	–
Permanent diminution of fixed assets	10	4
	<u>131</u>	<u>223</u>
<b>Other expenditure:</b>		
Consultancy services	500	385
Training	63	37
Travel and subsistence	267	203
Rates	164	90
Support Service costs	202	273
Hire and maintenance	19	16
Seminars, meetings and conferences	69	74
Publications, Books & Periodicals	171	131
Postal services and couriers	32	27
Telecommunications	59	50
Auditors' remuneration*	29	29
Other accommodation costs	115	101
Recruitment costs	67	232
Website**	82	–
Other	101	143
	<u>1,940</u>	<u>1,791</u>
	<b><u>2,829</u></b>	<b><u>2,552</u></b>

\* During the year there was no remuneration for non-audit work.

\*\* Website expenditure from 2005/06 was shown in the support service costs.

## 5. Intangible fixed assets

	<b>Software Licences</b>
	<u>£000s</u>
<b>Cost or valuation</b>	
At 1 April 2006	23
Additions	123
Disposals	(12)
Revaluation	(10)
<b>At 31 March 2007</b>	<b><u>124</u></b>
<b>Amortisation</b>	
At 1 April 2006	14
Charged in year	15
Disposals	(10)
Revaluation	–
<b>At 31 March 2007</b>	<b><u>19</u></b>
<b>Net book value at 31 March 2007</b>	<b><u>105</u></b>
<b>Net book value at 31 March 2006</b>	<b><u>9</u></b>

## 6. Tangible fixed assets

	<b>Furniture fixtures and fittings</b>	<b>Office machinery</b>	<b>Leasehold works</b>	<b>IT equipment</b>	<b>Total</b>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Cost or valuation</b>					
At 1 April 2006 (Restated)	106	47	193	98	444
Additions	5	3	27	37	72
Disposals	(4)	(3)	–	(94)	(101)
Revaluation	–	–	–	–	–
<b>At 31 March 2007</b>	<b><u>107</u></b>	<b><u>47</u></b>	<b><u>220</u></b>	<b><u>41</u></b>	<b><u>415</u></b>
<b>Depreciation</b>					
At 1 April 2006 (Restated)	63	41	10	87	201
Charged in year	6	2	21	13	42
Disposals	(3)	(3)	–	(93)	(99)
Revaluation	–	–	–	–	–
<b>At 31 March 2007</b>	<b><u>66</u></b>	<b><u>40</u></b>	<b><u>31</u></b>	<b><u>7</u></b>	<b><u>144</u></b>
<b>Net book value at 31 March 2007</b>	<b><u>41</u></b>	<b><u>7</u></b>	<b><u>189</u></b>	<b><u>34</u></b>	<b><u>271</u></b>
<b>Net book value at 31 March 2006 (Restated)</b>	<b><u>43</u></b>	<b><u>6</u></b>	<b><u>183</u></b>	<b><u>11</u></b>	<b><u>243</u></b>

## 7. Debtors

## 7.1 Analysis by type

	<b>2006-07</b>	<b>2005-06</b>
	<u>£000s</u>	<u>£000s</u>
<b>Amounts falling due within one year:</b>		
Other debtors	–	14
Advances	6	9
Prepayments	264	111
Funding debtor	–	197
	<b><u>270</u></b>	<b><u>331</u></b>
<b>Amounts falling due after more than one year:</b>		
Prepayments	99	–
	<b><u>99</u></b>	<b><u>–</u></b>

Advances comprise of 13 season tickets.

**7.2 Intra-Government Balances**

	Amounts falling due within one year		Amounts falling due after more than one year	
	£000s	£000s	£000s	£000s
	2006-07	2005-06	2006-07	2005-06
Balance with other central government bodies	8	197	-	-
Subtotal: intra-government balances	8	197	-	-
Balances with bodies external to government	262	134	99	-
<b>Total debtors at 31 March 2007</b>	<b>270</b>	<b>331</b>	<b>99</b>	<b>-</b>

**8. Cash at bank and in hand**

	2006-07	2005-06
	£000s	£000s
Balance at 1 April	877	-
Net change in cash balance:	1,358	877
<b>Balance at 31 March</b>	<b>2,235</b>	<b>877</b>
The following balances are held at :		
Office of HM Paymaster General (OPG)	2,234	877
Commercial banks and cash in hand	1	-
	<b>2,235</b>	<b>877</b>

**9. Creditors****9.1 Analysis by type**

	2006-07	2005-06 (restated)
	£000s	£000s
<b>Amounts falling due within one year:</b>		
Trade creditors	74	43
Accruals	344	199
Deferred income	10	16
Tax and Social security creditors	65	63
Other Creditors – Ofwat	89	30
	<b>582</b>	<b>351</b>

**9.2 Intra-Government Balances**

	Amounts falling due within one year		Amounts falling due after more than one year	
	£000s	£000s	£000s	£000s
	2006-07	2005-06 (restated)	2006-07	2005-06
Balance with other central government bodies	137	107	-	-
Subtotal: intra-government balances	137	107	-	-
Balances with bodies external to government	445	244	-	-
<b>Total creditors at 31 March 2007</b>	<b>582</b>	<b>351</b>	<b>-</b>	<b>-</b>

**10. Provision for liabilities and charges**

<b>Early departure costs</b>	<b>2006-07</b>	<b>2005-06</b>
	<u>£000s</u>	<u>£000s</u>
Balance at 1 April	197	–
(Decrease)/Increase in provision	55	197
Provision utilised in year	(38)	–
Unwinding of discount	5	–
<b>Balance at 31 March</b>	<b><u>219</u></b>	<b><u>197</u></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 discount rate of 2.2 per cent in real terms.

**11. Movement on reserves**

	<b>General Reserve</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
Closing balance as previously stated	36	7	43
Prior year adjustment	869	–	869
Balance b/f at 1 April 2006 as restated	905	7	912
Net expenditure	(5,758)	–	(5,758)
Grant in Aid received towards resource expenditure	5,514	–	5,514
Grant in Aid received towards purchase of fixed assets	186	–	186
Grant in Aid received for 2007/08	1,325	–	1,325
<b>At 31 March 2007</b>	<b><u>2,172</u></b>	<b><u>7</u></b>	<b><u>2,179</u></b>

The prior period adjustment is explained in Note 1.2.

**12. Capital and other commitments**

	<b>2006-07</b>	<b>2005-06</b>
	<u>£000s</u>	<u>£000s</u>
Contracted capital commitments for which no provision has been made	–	–



**13. Notes to the Cash flow statement**

		2006-07	2005-06 (restated)
	Note	£000s	£000s
<b>Note (i) Reconciliation of net operating costs to net inflow from operating activities</b>			
Net operating cost		(5,758)	(5,102)
Adjustments for non-cash transactions	4	131	223
(Increase)/decrease in debtors	7	(38)	(242)
Increase/(decrease) in creditors	9	222	304
Use of provisions payments made	10	(38)	-
<b>Net cash inflow / (outflow) from Operating activities</b>		<b>(5,481)</b>	<b>(4,817)</b>
<b>Note (ii) Capital Expenditure</b>			
Applied towards the purchase of Intangible fixed assets	5	(114)	(5)
Applied towards the purchase of Tangible fixed assets	6	(72)	(230)
Proceeds of disposal of fixed assets		-	-
<b>Total capital expenditure</b>		<b>(186)</b>	<b>(235)</b>
<b>Note (iii) Analysis of financing</b>			
Grant-in-Aid and revenue Grant received from DEFRA and WAG		<b>7,025</b>	<b>5,971</b>
<b>Note (iv) Analysis of changes in net funds</b>			
		<b>At</b>	<b>Cash</b>
		<b>31/3/07</b>	<b>flow</b>
		£000s	£000s
Cash at bank and in hand	8	<u>2,235</u>	<u>1,358</u>
		<u>877</u>	<u>877</u>

**14. Commitments under operating leases**

At 31 March 2007 we were committed to making the following annual payments in respect of operating leases. 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. The payments to which CCWater is committed during 2007-08, analysed by the period during which the commitment expires are as follows:

	2006-07		2005-06	
	Buildings	Other	Total	Total
	£000s	£000s	£000s	£000s
Expiry within 1 year	68	62	130	36
Expiry within 2 to 5 years	205	386	591	238
Expiry thereafter	390	-	390	372
<b>Total</b>	<b>663</b>	<b>448</b>	<b>1,111</b>	<b>646</b>

**15. Contingent liabilities**

There are no contingent liabilities for the year ending 31 March 2007.

**16. Losses and special payments**

There were no losses reportable during the year.

**17. Post-balance sheet events**

There were no reportable post balance sheet events between the balance sheet date and 17 July 2007, the date when the Accounting Officer despatched the accounts to Defra. The Financial Statements do not reflect events after this date.

**18. Financial instruments**

FRS 13, derivatives and other financial instruments, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which CCWater is financed, it is not exposed to the degree of financial risk faced by businesses. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. CCWater has no powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the office in undertaking its activities.

Short term debtors and creditors have been excluded from the disclosures.

**Liquidity risk**

CCWater has no borrowings and relies primarily on funding from other government bodies for its cash requirements, and is therefore not exposed to liquidity risks.

**Interest rates and foreign currency risks**

All material deposits are held at the Office of the Paymaster General and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

**Fair Values**

There is no material difference between the book values and the fair values of CCWater's financial assets and liabilities as at 31 March 2007.

**19. Related Party Transactions**

CCWater receives grant in aid from Defra and WAG. Defra is CCWater's parent governmental body.

CCWater sublets part of premises to energywatch.

CCWater received financial services, information and communications technology services, facilities management services, library and information services and human resources services from Ofwat during 2006/07; the cost for 2006/07 was £202k including £30k VAT. This includes £14k (inc VAT) paid over in 2005/06 and recognised as expenditure in 2006/07.

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

None of the Council members, key managerial staff or other related parties has undertaken any material transactions with CCWater during the year.



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