
Consumer Council for Water

Annual Report and Accounts 2015-16

For the year ended 31 March 2016

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as amended by the Water Act 2003.

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PERFORMANCE REPORT

Chief Executive's Statement

The Consumer Council for Water (CCWater) continued to perform strongly in 2015-16 through a year of significant change for our organisation. We consolidated the work we did to secure a customer-focused Price Review in 2014 (PR14) which delivered a good outcome for customers – a reduction in annual water bills of 5% (before inflation) to 2020 and a large-scale programme of improvements. Customers have told us they want a direct say in water company price and investment proposals. We therefore worked to ensure that CCWater will play an active role as the 'customer expert' in the companies' Customer Challenge Groups (CCGs), providing a strong voice for customers in future price setting.

We continued to push water companies to improve their performance and customer complaints fell again in 2015-16 for the seventh successive year. Complaints are now less than half the figure they were five years ago. We are focused on getting the poorest performing companies to do better and there are signs of improvement with customer satisfaction with value for money for their water and sewerage services increasing in 2015-16 for the first time in four years.

Affordability remained a key area of our work with 1 in 8 customers in England (1 in 7 in Wales) telling us that their water bills were unaffordable. We worked with the industry and government on the development, introduction and promotion of social tariffs and other financial assistance schemes. In April 2015 a further eight companies introduced social tariffs, bringing the total number of companies that have schemes in place to 14. We also worked with a further four companies to introduce social tariffs during 2016.

In January 2016 we launched a benefits calculator and grants search tool to help low-income customers identify additional income. By the end of March 2016 almost 2,000 customers had used the calculator and identified annual benefits of more than £150,000 that they may be eligible for.

We continued to deliver our services to consumers against the backdrop of an internal restructure which we completed in March 2016. We closed six regional offices and centralised our complaints handling function in our Birmingham and Cardiff offices. This has put us in a stronger position to deal with present and future challenges. We are now more efficient and consistent in complaint handling and have assigned a dedicated senior customer caseworker to each water company as their main contact for complaint issues. We are also better equipped to deal with 'new' national complaint issues which we expect to emerge from the opening of the competitive water retail market for business customers in April 2017 and, potentially, for domestic customers in the future.

The restructure has made CCWater more cost efficient, saving us about £400,000 per year on accommodation costs. Going forward this will help us to keep our licence fee flat. For the fifth consecutive year, our work cost each water bill payer 21p, which we believe is excellent value for money.

During the year we welcomed several new Board members who bring a wealth of business knowledge and expertise to CCWater. Alan Lovell took the helm as our new Council Chair in April 2015, David Heath and Robert Light joined as our Western and Northern Chairs respectively in July, and in October Tom Taylor became our new Wales Chair. The combined strength and experience of our Board puts us in a strong position to navigate the challenges that lie ahead, especially in relation to water retail competition. We strengthened our local presence by appointing 19 new Local Consumer Advocates (LCAs) in April 2015, bringing our team to 22 across England and Wales. Our Regional Chairs, together with the LCAs and our locally-based policy managers, continued to build our relationships with water companies and other stakeholders.

In September and October 2015 we held six consumer issues events across England and Wales to give a wide range of people an opportunity to discuss the key national and regional issues affecting consumers, and to help shape our Forward Work Programme for 2016-19. We also widened the opportunity for more people to learn about our work on behalf of consumers by holding our Board meetings in public at venues in Wales and the regions of England. We will continue to do this in 2016-17.

Tony Smith
Chief Executive
6 June 2016

Statement of purpose, objectives and activities of CCWater

The objective of this Performance Report 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 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, including the risks and uncertainties facing us.

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

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

- to have regard to the interests of consumers of water and sewerage services in England and Wales, including certain vulnerable consumers 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; and
- to investigate any matters of interest to consumers that are not necessarily the subject of a complaint.

The Water Act 2014 gave CCWater some additional responsibilities, which involve being consulted on:

- the development of market codes and some charging issues in the lead up to the opening of the non-household retail market to greater competition;
- the development of regulations that will set the conditions upon which an incumbent water company will be able to exit the non-household retail market;
- requests by incumbent water companies to exit the non-household retail market;
- charging guidance issued by both the Department for Environment, Food and Rural Affairs (Defra) and Welsh Government;
- water companies' charges schemes;
- the supply of water to water companies by third parties, such as farmers;
- changes to water company licences to allow redress schemes. The Water Redress Scheme, known as WATRS, came into being on 1 April 2015; and
- the UK and Welsh Government's strategic priorities for Ofwat.

We must also represent the interests of consumers supplied by new entrants to the market; require, when necessary, information from the water supply or sewerage licensee; and deal with complaints from customers of water supply and sewerage licensees. CCWater also has super complainant status under the Enterprise Act 2002.

Under the Water Industry Act 1991, as amended by the Water Act 2003, the Secretary of State for Defra, 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, statement of financial position and cash flows for the financial year.

Alignment with UK Government and Welsh Government strategies

CCWater's activities in 2015-16 were aligned with the strategies set out by both Defra and the Welsh Government. Defra's Strategy* sets out a shared vision and set of strategic objectives for the whole of Defra for the period up to 2020. Defra's goals are focused on four impact objectives, which explain its ambitious, long-term aims, and the positive differences it will make to the UK. It also has one delivery objective and two organisational objectives. CCWater's work is aligned directly to five of Defra's strategic objectives as follows:

Impact objectives

- 1. Environment** (A cleaner, healthier environment, benefiting people and the economy)
Aim: cleaner water and sustainable usage.
CCWater activity: We worked with Defra, Welsh Government, regulators and water companies on building long-term resilience in the water sector and promoting water efficiency among customers.
- 2. Protection** (A nation better protected against flooding, animal and plant disease and other hazards, with strong response and recovery capabilities).
Aim: Enhance resilience of business and individuals to drought and loss of water supply.
CCWater activity: We continued to build our profile as a source of reliable and practical advice for consumers on water efficiency. Working with stakeholders, including Waterwise and Energy Saving Trust, we raised awareness of water-saving advice through our website and social media. We also challenged water companies on their leakage performance and supported consumers affected by sewer flooding.

Delivery objective

- 3. Excellent delivery, on time and to budget, and with outstanding value for money**
CCWater activity: Our restructure helped us save over £400,000. Our cost efficiencies meant we could keep down our licence fee for the fifth consecutive year. Our activities cost each bill payer just 21p per year.

Organisational objectives

- 4. An outstanding organisation** (An organisation continually striving to be the best, focused on outcomes and constantly challenging itself).
CCWater activity: In 2015-16 we handled more than 18,000 complaints and enquiries from customers about their water companies. We beat our targets for the year for complaint acknowledgement and closure times, and for customer satisfaction with how we handled their complaints. In our Stakeholder Perceptions Research (November 2015), stakeholders endorsed CCWater's role as an independent voice of the water consumer, with 91% of respondents stating that our role was 'important' or 'essential'. Stakeholders applauded the commitment and effort we put into our work, especially during the 2014 Price Review, and 74% gave us a high satisfaction rating.
- 5. Our people** (An inclusive, professional workforce where leaders recognise the contribution of people, and build capability to deliver better outcomes).
CCWater activity: Our staff survey (independently conducted by ACAS in January 2016) resulted in a response rate of 88%. More than three-quarters of our staff were 'satisfied' or 'very satisfied' with the variety of work in their jobs and 70% thought that our senior managers and Executive team were at least 'good' in keeping them informed about changes to the organisation.

Water Strategy for Wales

The Welsh Government's Water Strategy for Wales** sets out the strategic direction for water policy over the next 20 years and beyond, and aims to deliver a more integrated and sustainable approach to managing water and associated services in Wales. The focus is on ensuring that the people of Wales receive first-class, value for money services with water used efficiently, safely and respectfully by all.

CCWater is playing a key role in ensuring that there is a strong customer focus at the heart of the delivery of water and sewerage services in Wales. During the year we took the lead on collating and disseminating information and advice on water affordability and debt management, including making links to wider tackling poverty initiatives.

* Defra's Strategy to 2020 (February 2016): www.gov.uk/government/publications/defras-strategy-to-2020-creating-a-great-place-for-living

** <http://gov.wales/docs/desh/publications/150519-water-strategy-for-wales-en.pdf>

Performance Summary

A summary of CCWater's performance during 2015-16:

- We built on the successful outcome of **PR14** which delivered investment in services that customers wanted at a price they found acceptable. The result of the PR14 price setting process was a reduction in water bills of **5%** (before inflation) over the next five years. Ofwat has estimated that by 2020 bills will be **£3 billion** lower than companies had planned, with **£44 billion** of investment by companies and assistance provided to an extra **1 million** vulnerable customers.
- Customers have told us they want a direct say in water company price and investment proposals and this year we worked to ensure CCWater plays an active role as the 'customer expert' in the companies' **Customer Challenge Groups (CCGs)**, providing a strong customer voice in future price setting.
- We dealt with **over 18,000 customer complaints and enquiries** about water companies in 2015-16. This brings to over **350,000** the total number of complaints and enquiries we have handled since 2005. We beat our targets for acknowledging and closing complaints, and customer satisfaction with how we handled their complaints (see tables on pages 10 and 11).
- We continued to push water companies to improve their performance and to get things 'right first time'. Customer complaints to water companies fell again in 2015-16 for the seventh successive year and are now less than half the number they were at the peak year of 2007-08. There are signs of improvement in companies' performance with customer satisfaction with **value for money** for their water and sewerage services increasing in 2015-16 for the first time in four years.
- We secured nearly **£5 million in compensation and financial redress** for customers during 2015-16, including an increase in the compensation offered by United Utilities to customers affected by a boil water notice in Lancashire, which we negotiated with the company. This brings the total amount we have helped return to household and non-household customers to **£25 million** since 2005.
- We worked with the industry and government on the development, introduction and promotion of **social tariffs** and other financial assistance schemes. In April 2015 a further **8 companies** introduced social tariffs, bringing to **14** the total number of companies that have schemes in place. We also worked with a further three companies to introduce social tariffs in April 2016 and another will introduce a scheme in July 2016.
- In January 2016 we launched a benefits calculator and grants search tool to help low-income customers identify additional income. By the end of March 2016 almost **2,000 customers** had used the calculator and identified annual benefits of more than **£150,000** for which they may be eligible.
- We also helped customers save water and money, with **over 258,000** customers visiting our water meter calculator in 2015-16. The total potential saving to customers was estimated at over **£15.3 million**.
- We reorganised our operations in 2015-16, centralising our complaints handling function in our Birmingham and Cardiff offices. This saved us about **£400,000** and will enable us to keep our licence fee flat going forward. This year, for the fifth consecutive year, our work cost each water bill payer just **21p**, down from almost 25p in 2008-09.
- Customer research plays a key part in helping us to reflect customers' views on a wide range of issues. This year we published **six research reports** which we used to develop our policy lines, to advise or influence the water industry, regulators, governments, and to inform stakeholders about customers' views on water issues, including retail competition in the water industry.
- Consumers had opportunities to see our messages in **print, broadcast and online media** with a total reach of **160 million** – the highest media coverage CCWater has had since we started in 2005.

Performance Analysis

CCWater continued to provide specialised consumer advocacy and support across a wide range of areas of the water and sewerage sector in England and Wales, and helped ensure water consumers' views were central to the way the water industry was managed and regulated. Our key performance indicators were set out in our Operational Business Plan (OBP) for 2015-16. This performance analysis shows how we achieved our measures of success for each strand of work.

We focused on five strategic issues:

- Water company services that are **RIGHT FIRST TIME** and sort out problems quickly and without hassle.
- Fair, affordable charges that are **VALUE FOR MONEY** to help ensure a sustainable water and sewerage service now and in the future.
- **WATER ON TAP** – safe, reliable, good quality drinking water that consumers value and use wisely.
- **A RESILIENT SEWERAGE SYSTEM THAT WORKS** – a sustainable service with minimal sewer flooding, and that is used responsibly.
- **SPEAKING UP FOR AND INFORMING CONSUMERS** by providing a trustworthy, independent voice that empowers consumers by informing them about key water issues and ensuring Governments, companies and other stakeholders understand water consumers' views.

RIGHT FIRST TIME

Target poorer performing companies so that customers get a service that is right first time:

CCWater received more than 18,000 consumer complaints and enquiries about water companies this year, similar to 2014-15. The nature of these complaints has become more complex, requiring additional resources to resolve them. This is reflected in the number of formal investigations we have undertaken throughout the year. We met our OBP performance targets for responding to complaints within 5, 20 and 40 days. We have seen an increase in the number of consumer enquiries about their water company in 2015-16 to nearly 8,500, as shown in the table below.

Contacts to CCWater from Customers	2015-16	2014-15	2013-14	2012-13
Enquiries	8,453	7,965	10,856	12,355
Complaints	9,991	10,138	9,957	10,410
Formal investigations	18	21	13	7

Our performance against our OBP targets in dealing with complaints about water companies is shown in the table below. Our targets were reduced slightly from the previous year to reflect potential disruption and skills loss during the restructure of our complaints handling function.

Percentage of Complaints	2015-16		2014-15		2013-14		2012-13	
	OBP Target	Achieved	OBP Target	Achieved	OBP Target	Achieved	OBP Target	Achieved
Actioned in 5 days	99%	99.9%	99.5%	99.9%	99.5%	99.8%	99.5%	99.5%
Closed in 20 days	78%	82.4%	79%	82.6%	79%	83.6%	79%	79.7%
Closed in 40 days	90%	92.6%	91%	92.3%	91%	93.3%	90 %	91.6%

	2015-16		2014-15		2013-14		2012-13	
Customer Satisfaction with all aspects of CCWater's complaint handling	OBP Target	Achieved	OBP Target	Achieved	OBP Target	Achieved	OBP Target	Achieved
Outcome of the complaint	58%	60.4%	61%	57.4%	61%	57.4%	61 %	63.8 %
Speed	79%	81.0%	80%	79.8%	80%	77.7%	79 %	82.7 %
Service	72%	73.8%	75%	72.6%	75%	69.2%	73 %	76.7 %
Courtesy	90%	92.8%	93%	93.3%	93%	92.4%	92 %	94.2 %

Complaints to the Parliamentary and Health Service Ombudsman

If a consumer remains unhappy about the way CCWater has dealt with a complaint they can, with the support of their MP, refer the matter to the Parliamentary and Health Service Ombudsman (PHSO). CCWater is not always aware when a consumer approaches the PHSO. The PHSO told us of one complainant who approached it in 2015-16. This case was investigated and partially upheld.

VALUE FOR MONEY

Help those customers struggling to pay, including working with the water companies on the promotion and delivery of financial assistance schemes and social tariffs:

Affordability

Affordability remains a pressing priority for CCWater, with 1 in 8 customers (1 in 7 in Wales) having told us their water charges were not affordable. We worked closely with water companies in England and Wales to try to increase the range of support for customers who are struggling to pay their bills and raise awareness of these schemes. CCWater assisted three further water companies – South Staffs Water, Cambridge Water and Dee Valley Water – in preparing social tariffs which can reduce the water charges of customers on low incomes for launch on 1 April 2016. Portsmouth Water plans to put a new tariff in place from July 2016. In April 2016 we launched a social tariff guide on our website to enable customers to identify quickly whether they might be eligible for help.

Through partnering with Turn2Us, a poverty relief charity, we were also able to add their benefits calculator and grant search to CCWater's website in January 2016. These two tools enable consumers to discover whether they are entitled to further benefits or assistance through grants. In the first three months of operation almost 2,000 customers used the benefits calculator and identified that they may be eligible for annual benefits totalling more than £150,000. A further 570 customers used our grants search tool to identify potential sources of other financial assistance.

We also worked with water companies to ensure they were implementing the recommendations of our *Living with Water Poverty* project. This included expanding the range of assistance offered to customers who struggle to pay and improving how this help is communicated.

Fair charging

In line with the recommendations of the 2011 review of Ofwat and consumer representation in the water industry (Gray Review), we continued our work to identify areas for potential improvement in companies' charging policies.

As a result, during 2015-16:

- a number of companies agreed to extend the period for which they refund surface water drainage charges where it is found the service is not provided. This means all companies now rebate beyond the current financial year;
- several companies have agreed to provide a commitment not to recover backdated undercharges from customers where this has been due to company error; and
- one company added a Single Occupier Assessed Charge to its tariffs for next year.

Influence the design of market reform in England so non-household customers benefit without disadvantaging customers who cannot switch retailer, including household customers and customers in Wales:**Market reform**

CCWater has provided strong representation for the views and interests of business customers as the opening of the non-domestic retail market in England, scheduled for April 2017, moves closer. We continued to work with Defra, Ofwat, market system developer MOSL, and customer representatives to ensure the right protections are put in place for all affected consumers. This includes protecting those who opt to switch, as well as making sure customers who choose not to switch or are unable to choose another retailer are not disadvantaged.

We met with stakeholders and responded to numerous consultations on regulations and important customer protections that should feature in the new codes of practice. Our feedback has been built on strong evidence gathered through our consumer research and business customer forums.

In November 2015, the UK Government announced its intention to explore the potential benefits of opening retail competition to household water customers, and asked Ofwat to undertake an analysis of the costs and benefits of doing so. We have commissioned research into household customers' views about retail competition which we plan to publish in May 2016 and the findings will contribute to Ofwat's assessment.

In Wales we will closely monitor trends in performance of the companies in providing services to their business customers.

WATER ON TAP**Continue to press for a safe, reliable, good quality water supply at an affordable price:****Helping consumers to use water wisely**

In June 2015 we published our *Using water wisely and attitudes to tap water* research report which examined consumers' attitudes to water use, especially saving water at home, and tap water. Our research found that two in five adults (41%) in England and Wales had not made a conscious decision to use less water over the past three years. Almost a quarter (23%) were not taking any action to save water. Many people felt that saving water was 'common sense' and they did not need to find out how to do it (57%).

We used our research to provide consumers with tips and advice on how to save water on our website and through social media. We actively supported Waterwise's 'Water Saving Week' in March 2016 and published a guest blog by Managing Director Jacob Tompkins on the importance of water efficiency. We also started a partnership with Southern Water to conduct research into the potential impact water efficiency can have on affordability and debt.

Leakage

We challenged water companies to do more on active leakage control using a presentation at the Water UK Leakage Conference in October 2015. We also put further pressure on companies to tackle this issue through our *Delving into Water* report which showed that leakage levels have been rising since the low in 2011-12 and now account for 22% of the water put into supply.

A RESILIENT SEWERAGE SYSTEM**Help consumers who suffer from sewer flooding in their houses or other areas of their property:****Flooding**

We are part of the Water UK-led '21st Century Drainage Programme Board' that is made up of all 12 sewerage companies in the UK, representatives of governments, regulators and environmental groups. The group is looking at how drainage systems can be built, developed and managed in a more sustainable way to meet the challenge of the long-term effects of climate change. We have provided a customer perspective through our knowledge of how sewer flooding issues affect customers, and how they might respond to helpful messaging. We also co-chair the 'drainage misuse' sub-group.

Sustainable drainage systems (SuDS)

SuDS offer a way to reduce the volume of surface water entering sewerage systems by directing it to, for example, specially built ponds and grassed swales. They can also reduce the risk of flooding. Water and sewerage companies have committed to delivering SuDS projects as part of their business plans. SuDS schemes may take longer to implement than traditional sewer flooding solutions but discussions with us and additional consultation with local residents, partners and stakeholders seem to be delivering innovative solutions and better outcomes for consumers and the environment.

Blocked sewers campaign

We used World Toilet Day in November 2015 to raise awareness through the media of the damage caused by inappropriate items being flushed down the loo or poured down the sink. Through collaborating with sewerage companies we were able to share details of some of the most unusual items found in our sewers, and offer consumers advice on what items can be safely flushed away.

SPEAKING UP FOR AND INFORMING CONSUMERS

Influence the agenda, challenge on behalf of customers and inform consumers:

Communication

We use a mix of communication channels to inform consumers about issues that are important to them.

Media: In 2015-16 consumers had opportunities to see our messages in media with a total reach of more than 160 million. We featured in 895 pieces of media across the internet, print and broadcast. This was the most media coverage CCWater has secured in a single year since our inception in 2005.

Website: We also provide consumer support via our website. This year we had over 367,000 unique visitors to our site, compared to 311,000 in 2014-15. This exceeded our annual target of 250,000 visits.

Water meter calculator: Our water meter calculator remains a popular tool in helping customers to identify whether they can save money by paying for their water by meter. Media exposure helped drive over 258,000 visits to the online tool, helping customers identify potential savings of over £15.3 million.

Social media: In March 2016 we launched our social media strategy which sets out our objectives for increasing engagement with consumers and key stakeholders across our social network platforms. We continued to increase our engagement and now have more than 4,000 Twitter followers, an increase of 900 on the previous year.

Stakeholder events

We engaged a wide range of stakeholders from the water sector, Governments, regulators, local councils and environmental and consumer bodies at six consumer issues workshops across England and Wales in September and October 2015. Stakeholders' views helped to shape our Forward Work Programme for 2016-19, which we published on 31 March 2016.

Wales Water Forum

We contributed to all Wales Water Forum meetings in 2015-16 at Executive, Wales Chair and policy level. We led a discussion on CCGs in January 2016 which resulted in a strengthening of the customer focus of the groups in Wales. We also raised awareness of our research and comparative performance among Wales stakeholders by presenting findings and circulating summaries of our research.

SUSTAINABLE DEVELOPMENT

CCWater has a statutory requirement to address sustainable development and is committed to sustainability through the work it undertakes. As well as the initiatives outlined above in pursuit of water saving and sustainable sewerage, we are very aware of the carbon impacts of providing water and treating wastewater, and the link between water and energy use for consumers.

We therefore actively encourage water companies to adopt more sustainable ways of working. The water industry's operations account for about four million tonnes of carbon dioxide emissions per year, around 0.7 per cent of UK greenhouse gas emissions. In the face of the challenging UK target to reduce greenhouse gas emissions by 80 per cent (compared to the 1990 baseline) by 2050, water companies have an important part to play in helping to achieve this target.

Big Energy Saving Week 2015

We worked with stakeholders, including the Energy Saving Trust and water companies, to inform customers that reducing their use of hot water helps the environment and could lower their water and energy bills. In October 2015 we supported Big Energy Saving Week, organised by the Energy Saving Trust, Citizens Advice and the Department of Energy and Climate Change. We got consumers thinking about their use of energy and hot water by sharing our advice on how they could save money and reduce their carbon footprint.

THE FUTURE OF CCWATER AND PRINCIPAL RISK

CCWater, like all public bodies, is due a tailored review within this Parliament. CCWater may also be subject to a functional review, should Governments decide to review across sectors. The Department for Business, Innovation and Skills launched a call for evidence on improving the consumer landscape and quicker switching on 25 May 2016.

More information about the strategic risks facing CCWater during 2015-16 is highlighted in the 'Managing risk' section of the Governance Statement on page 25.

FINANCIAL SUMMARY

The main financial highlights are summarised below:

Operating Cost Summary	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Income		
Operating Income	(18)	(40)
	(18)	(40)
Expenditure		
Operating Costs	5,578	5,637
Net Operating Cost	<u>5,560</u>	<u>5,597</u>

The budget for CCWater during 2015-16 was £5.724 million. CCWater managed this by delegating the budget to individual budget holders, based on our Forward Work Programme priorities and activities. Expenditure is monitored against budget on a monthly basis with formal quarterly budget holders meetings.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

6 June 2016

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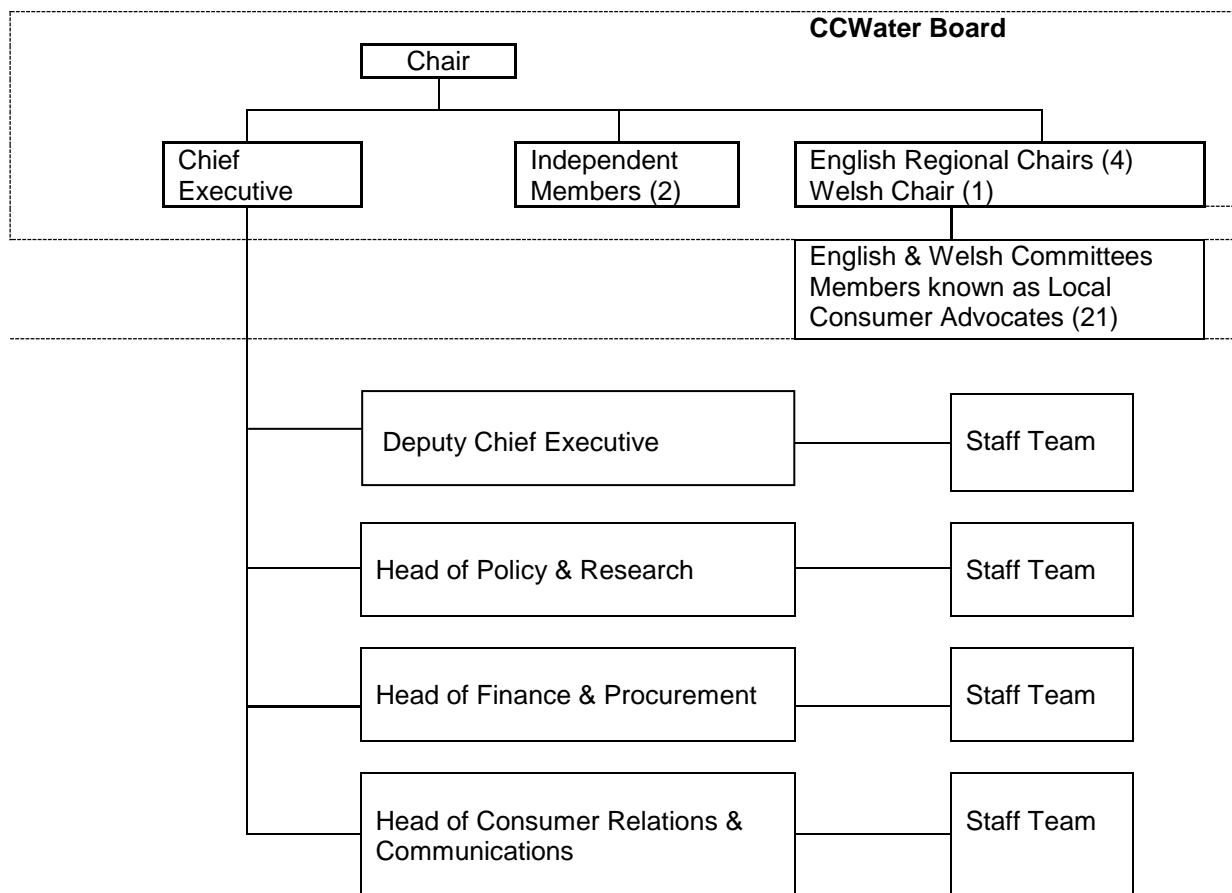
ACCOUNTABILITY REPORT

Corporate Governance Report

Directors’ Report

Organisational structure

CCWater consists of a national Council, known as the Board, four committees for England and a committee for Wales. During 2015-16 we consolidated our office-based staff into two locations, Birmingham and Cardiff. Our headquarters are in Birmingham. Each committee has between three and five members, known as Local Consumer Advocates. The chart below shows the structure of the organisation at the year end.



Board Appointments

The membership of the Board during 2015-16 was:

		Appointed:	Re-Appointed:	Expires:
Council Chair	Alan Lovell	1 April 2015		31 March 2019
Chief Executive	Tony Smith	1 December 2005	30 November 2009 30 November 2013	30 November 2017

England Regional Committees Chairs:

Northern	Robert Light	1 July 2015		30 June 2019
Western	David Heath	1 July 2015		30 June 2019
Central and Eastern	Bernard Crump	1 February 2013		31 January 2017
London and South East Chair and Vice Council Chair	Tony Redmond	1 March 2013		28 February 2017

Wales Committee:

Wales Chair and Vice Council Chair	Diane McCrea	1 October 2005	1 October 2009 & 1 October 2013	30 September 2015
Wales Chair	Tom Taylor	1 October 2015		30 September 2019

Independent Members:

Julie Hill	1 February 2014	31 January 2018
Philip Johnson	1 February 2014	31 January 2018

Defra appointed Alan Lovell to the Chair of the Council, Robert Light to Chair of the Northern Committee and David Heath to Chair of the Western Committee. Welsh Government appointed Tom Taylor to Chair the Wales Committee. All appointments were made in line with the Code of Practice issued by the Commissioner for Public Appointments.

Board register of interests

CCWater maintains a register of Board members' interests which is reviewed annually and is available on CCWater's website www.ccwater.org.uk. CCWater also maintains a register of interests for its Local Consumer Advocates which is also updated on an annual basis.

The senior management team

The composition of the senior management team, known as the Executive Team, during 2015-16 was:

Tony Smith	Chief Executive
Phil Marshall	Deputy Chief Executive
Deryck Hall	Head of Policy & Research
Jane Morris	Head of Corporate Services & Strategy (leaver 10 April 2015)
Carl Pegg	Head of Consumer Relations & Communications
Philip Lloyd	Interim Head of Corporate Services (starter 7 April 2015; leaver 11 March 2016)
Marie Perry	Head of Finance & Procurement (starter 8 February 2016)

The Chief Executive was appointed by the Secretary of State as a member of the Board. His contract as Chief Executive is a standard open-ended contract with a six-month notice period. Defra reappoints the Chief Executive to the Board every four years. The Chief Executive, on his appointment, was designated as CCWater's Accounting Officer by Defra. The Remuneration Committee, based on performance assessment, decides on any annual increases to the Chief Executive's basic salary and performance bonus.

The contracts of Phil Marshall, Deryck Hall, Carl Pegg and Marie Perry are standard open-ended contracts with a three-month notice period, as was the contract of Jane Morris who left in April 2015. Senior managers have declared that they held no company directorships or other significant interests that might have caused a conflict with their CCWater responsibilities.

Support services & spending control compliance

Since April 2010, with the exception of information technology (IT) and payroll, all support services have been provided in-house. IT infrastructure is provided under an agreement with Capita. Our web-based complaints management system is provided by Capventis. Our website and intranet are hosted by DXW. Payroll services are provided by CGI. In 2015-16, our internal auditor RSM (Baker Tilly up to 26 October 2015) confirmed that we had correctly applied the Government's spending controls. Our CEO has delegated authority to approve external recruitment of frontline posts. This was extended to business critical posts at the end of March 2015.

Payment of suppliers

CCWater achieved 99.34% against the Government target for paying agreed invoices within 30 days of receipt during 2015-16 (100% in 2014-15). 84.1% were paid within 5 working days compared to 92.3% in 2014-15. Creditor days were 3 days at 31 March 2016 and 9 days at 31 March 2015.

Health and Safety

CCWater recognises and accepts its legal responsibilities in relation to the health, safety and welfare of its employees and for all other people using its premises or engaged in its activities. We comply with the Health and Safety at Work Act 1974 and all other relevant legislation as appropriate. We are committed to the positive promotion of accident prevention and the elimination of accidents involving personal injury, illness or damage. At Board level, our Chief Executive is responsible for Health and Safety. Our Finance and Resources Committee and Staff Council meetings regularly discuss Health and Safety. Health and Safety training workshops were organised for employees during the year. There were no reportable incidents in 2015-16.

Important events affecting CCWater

In February 2015 we announced that, subject to approval by Government, we would centralise our complaint handling into two offices, Birmingham and Cardiff. This is now complete and we have closed our Darlington, Manchester, Cambridge, London, Bristol and Exeter offices. In 2015-16 we strengthened our regional presence by increasing the number of Local Consumer Advocates and home basing some of our policy team. We also enhanced our arrangements for dealing with each water company locally, including holding some of our Board meetings in public at regional venues.

Political donations

During the financial year 2015-16 CCWater made no donations to political parties.

Directors' statement and going concern

The Directors at the time of the approval of this report confirm that:

- so far as they are aware, there is no relevant information of which the Auditor is unaware; and
- all steps have been taken in order to make the Auditors aware of any relevant information and to establish that the Auditor is aware of that information.

The accounts for 2015-16 have been prepared on a going concern basis. Defra and the Welsh Government have agreed CCWater's 2016-17 revenue budget. CCWater is in a net asset position and there is no reason to believe that future approvals will not be forthcoming.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

6 June 2016

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

Statement of Accounting Officer's Responsibilities

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 2015 to 31 March 2016.

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, changes in taxpayers' equity, recognised gains and losses, and cash flows for the financial year.

The Principal Accounting Officer for Defra has designated the Chief Executive of CCWater as the Accounting Officer for the organisation, with responsibility for preparing the organisation's accounts and for transmitting them to the Comptroller and Auditor General.

In preparing the accounts, the Accounting Officer is required to comply with the '2015-16 government financial reporting manual' (FReM) issued by HM Treasury that follows international financial reporting standards (IFRS) to the extent that it is meaningful and appropriate to the public sector, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, 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 is responsible for the propriety and regularity of the public finances. This includes keeping proper records and for safeguarding CCWater's assets, as set out in the Accounting Officers' memorandum issued by HM Treasury and published in 'Managing Public Money'.

Accounting Officer's statement and going concern

The Accounting Officer at the time of the approval of this report confirms that:

- so far as he is aware, there is no relevant information of which the Auditor is unaware; and,
- all steps have been taken in order to make the Auditors aware of any relevant information and to establish that the Auditor is aware of that information.

Governance Statement

This statement explains CCWater's governance arrangements, describes how risk is managed, and outlines our system of internal control and the stewardship of resources. It describes the effectiveness of these arrangements and how they support the Accounting Officer's responsibilities for the use of resources by CCWater.

Funding and classification

The joint sponsors of the organisation are Defra and the Welsh Government. CCWater is funded by water customers through a charge by Ofwat to water and sewerage companies in England and Wales. The charge is passed to Defra and the Welsh Government and CCWater draws its funds through Grant in Aid from Defra.

For policy and administrative purposes CCWater is classified both as an executive non-departmental public body of Defra and a Welsh Government sponsored public body. For national accounts purposes, CCWater is classified as part of the central government sector.

The organisational structure and Board appointments are shown in the Directors' report.

Board responsibilities

The CCWater Board is the governing body of the organisation and carries responsibility for setting policy priorities and for promoting the efficient and effective use of staff and other resources, while ensuring that it fulfils the aims and objectives of Defra and the Welsh Government, as set out in the agreed Framework Document. The Board is specifically responsible for:

- establishing and taking forward the strategic aims and objectives of CCWater consistent with its overall strategic direction 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 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 of 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 Audit and Risk Management Committee to help the Board to address key financial and other risks;
- setting 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 when operating in Wales. From 2016, the Welsh Language Standards under the Welsh Language (Wales) Measure 2011 will apply.

Standing Committees & membership

CCWater has four sub-committees reporting directly to the Board. During the year each Committee reports back following its meetings to the full Board on the issues it has considered. No issues of concern were reported to the Board. Membership of each Committee is normally reviewed and confirmed by the Board annually at the end of the financial year. As the Committee membership was reviewed in November 2015 given the changes in Board membership in the first two quarters of 2015/2016, there will be no further review of Committee membership until March 2017.

Sub-Committee membership

2015-16	Audit & Risk Management Committee	Finance and Resources Committee	Remuneration Committee	Advisory Committee
Bernard Crump		Chair	Member	
David Heath (joined 1 July 2015)			Member	
Julie Hill	Member		Member	Member
Philip M. Johnson	Chair	Member		Member
Rob Light (joined 1 July 2015)	Member	Member		
Alan Lovell				
Diane McCrea (left 30 September 2015)	Member	Member		
Tony Redmond	Member		Chair	Chair
Tom Taylor (joined 1 October 2015)		Member		

Board & Standing Committees attendance

Board Member	Council Meetings	Audit & Risk Management	Finance & Resources	Remuneration	Advisory
Alan Lovell	11/11	--	--	--	--
Tony Smith*	11/11	4/4*	4/4*	3/3**	3/3*
Robert Light (Appointed to the Board 1/7/15 and appointed to the Finance & Resources and Audit & Risk Committees 1/12/15)	8/8	2/2	2/2	--	--
David Heath (Appointed to the Board 1/7/15 and appointed to the Remuneration Committee 1/12/15)	8/8	--	--	2/2	
Diane McCrea (left 30/9/15)	5/5	2/2	2/2	--	--
Tom Taylor (Appointed to the Board 1/10/15 and Finance & Resource Committee 1/12/15)	6/6	--	2/2	--	--
Bernard Crump	11/11	--	4/4	4/4	--
Tony Redmond	11/11	4/4	--	4/4	3/3
Julie Hill	11/11	4/4	1/1***	4/4	3/3
Philip M. Johnson	10/11	4/4	3/4	--	2/3

*Tony Smith is not a member of any Sub-Committee, but attends in his capacity as CCWater's Accounting Officer.

**Tony Smith was not in attendance at the meeting of the Remuneration Committee where his own performance was discussed.

*** Julie Hill attended one meeting of the Finance & Resources Committee on behalf of Philip Johnson who was unable to attend. Absences were agreed in advance by the Board Chair.

Board's performance

For 2015/2016, the Board set itself four key objectives, as distinct from the organisation's objectives set out in our Forward Work Programme and Operational Business Plan.

1) Demonstrate strategic leadership and direction

The Board set the organisation's strategic priorities based on consumers' priorities identified through customer research.

The Board carried out a thorough review of the strategic challenges facing CCWater in the medium and long-term, which shaped the organisation's strategy and business plan.

The Board also used the recently completed stakeholder survey to shape its approach to the strategy, as well as prompting the organisation to actively meet with stakeholders in each of our English regions, and nationally in England and in Wales. The feedback from these events shaped our Forward Work Programme. Each Board member has an area of strategic oversight, based on their background and specialist knowledge, and where they bring value to the organisation.

2) Further improve our relationship with stakeholders both nationally in England and in Wales, and regionally

The Board prompted stakeholder events in each of our regions, and nationally in England and in Wales. In addition to our local committees of Local Consumer Advocates (LCAs) headed by our regional and Wales Chairs holding companies to account and developing relationships with stakeholders locally, the Board is holding its meetings in public in a different region every other month. Here the Board engages with stakeholders and water companies on topics that are relevant locally.

The Board looks for opportunities to challenge, highlight our advisory work, and work in partnership as appropriate.

Independent Board members oversee relationships to ensure that there are no significant differences in approach across the regions and Wales.

3) Provide support to the Executive team

Much of the Board's business beyond governance is the development of CCWater's policy approach on items of importance to customers. This has included in-depth consideration of policy with regard to:

- Market reform for non-household competition in England;
- Ensuring future regulatory price setting and water company operations are strongly driven by customers;
- Financial and operational performance of the water companies, as these affect customers;
- Long-term water supply, flooding and resilience issues for water customers;
- Highlighting CCWater's advocacy role;
- CCWater's reorganisation, which was completed this year;
- Budget setting and performance, and;
- Improving some measures of staff attitudes from the staff survey

Each member of the Board has a role in supporting an area of the business, based on their expertise.

4) Achieve high class Board behaviours

Board meetings involve papers with options and recommendations from relevant members of the Executive team and their staff. These are thoroughly debated by the Board and decisions made and recorded. The Board, some of whose members are new this year, frequently meets informally to build a strong team approach. The Board have achieved consensus in every debate.

Regional Chairs and the Wales Chair provide a summary of key issues and achievements in their area, and independent Board members ensure impartiality in CCWater's relationships with water companies and to avoid local "capture" by water companies and others.

Board discussions

Notwithstanding general customer service and affordability issues, the Board's primary focus during 2015-16 has been on non-household market reform, reinforcing customer priorities in price setting, the CCWater restructure, and latterly on Government proposals for household competition.

Regional and Wales Committees

During the year CCWater had four regional Committees for England which each had between three and six members known as Local Consumer Advocates, one for each company within their respective regions. The Committee for Wales has five members to reflect the greater interaction with Government and stakeholders in Wales.

The primary role of the Local Consumer Advocates is to:

- advise and inform the Board on consumer matters in their local area;
- work at the local level, to develop implementation plans on key issues within a framework of priorities and policy positions established by the CCWater Board;
- liaise with and influence water companies on behalf of consumers to put consumers at the heart of their strategies and operations;
- engage with customers, consumers and communities at the local level to ensure their interests can be fully represented; and,
- develop local stakeholder relationships with those key agencies and organisations (including planning forums) whose decisions will have an impact on water consumers.

Local Consumer Advocates 2015-16				
Central & Eastern	London & South East	Northern	South West	Wales
Alison Dedicoat	Caroline Warner	Bhupendra Mistry	Gudrun Limbrick	Ronnie Alexander
Gill Holmes	Ingrid Strawson	Marc Bicknell	Mike Bell	Clare Evans (resigned with effect from 14 March 2016)
Paul Quinn	Helen Charlton	Colin Wilkinson	Mike Short	Bob Gilchrist
Richard Powell	Laura Willoughby (resigned with effect from 1 March 2016)		Dr. Veronica O'Dea	Angela Davies-Jones
	Penny Shepherd			Dr. Lee Gonzales
	Rachel Onikosi			

Local Consumer Advocates are recruited in line with the Code of Practice issued by the Commissioner for Public Appointments' guidelines via fair and open competition and serve a maximum of ten years. They are expected to give up to four days per month and receive an annual remuneration of £4,465.

CCWater undertook a fair and open recruitment process for 22 LCAs which was an increase from the 17 in 2014-15 to ensure that each company had a dedicated LCA, and that we were able to increase our work with the Welsh Government. The recruitment panel included the relevant Committee Chair and a Non CCWater Independent person. These new appointments took effect on 1 April 2015 and are for periods of between three and five years.

Executive Team

The Executive Team is chaired by the Chief Executive and comprises CCWater's Deputy Chief Executive, Head of Policy & Research, Head of Consumer Relations & Communications and the Head of Finance & Procurement. Their role is to assist the Chief Executive in the day-to-day running of the business. The Executive meets weekly and decides, subject to the overall direction and control of the Council, on all matters relating to management and resources, as well as implementing the strategy and policy agreed by the Board.

Audit assurances

Internal audit

CCWater's internal auditors, RSM (known as Baker Tilly until 26 October 2015), undertake a work programme to review risk management, internal control and governance. The Head of Internal Audit produces periodic reports on Internal Audit's findings, their assessment of risk management, corporate governance and control standards in the key corporate risks and delivery areas, and areas where action is required to address shortcomings. The Head of Internal Audit meets the Deputy Chief Executive and the Audit and Risk Management Committee quarterly to discuss the reports and consider progress in addressing major concerns. An annual report is also prepared which includes a professional opinion on the effectiveness of the overall systems of internal control and risk management within CCWater.

RSM has been CCWater's Internal Auditor since 2012-13. They provide an independent appraisal service for management by measuring and auditing the adequacy, reliability and effectiveness of management and financial control systems. During 2015-16, RSM reviewed the following areas of work: Complaint Handling, Health and Safety, Procurement, Financial Controls, Responding to Stakeholder Research, Tracking Progress from Previous Audit Reports, and Data Security.

RSM's opinions on CCWater's systems relating to Responding to Stakeholder Research, Action Tracking, Financial Controls and Data Security were 'Green' which is the highest level, with Procurement, Complaint Handling and Health & Safety audit findings having an opinion of 'Amber-Green'. Across the Audit reports there were ten medium recommendations and ten low recommendations. The cost of the internal audit for 2015-16 was £20,202.

External audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the Water Industry Act 1991. The Audit Certificate is on pages 37 and 38. The cost of providing audit services in respect of the Annual Report and Accounts 2015-16 was £23,000. There was no external auditor remuneration for non-audit work.

Operational assurances

The Chairs of CCWater's Standing Committees (Audit & Risk Management Committee, Finance & Resources, Advisory and Remuneration) have all confirmed that they are satisfied that the highest standards of corporate governance have been observed at all times.

Each Executive Team member has confirmed that they and their teams have complied with CCWater's policies and procedures relating to planning, finance and staff management.

Corporate Governance

Code of Governance

CCWater's Code of Governance sets out the Council's responsibilities regarding proper conduct of business, strategic planning, monitoring performance, finance, staffing, health and safety, and whistleblowing procedures. The Code has been followed and there have been no departures.

Effectiveness of whistleblowing arrangements

CCWater has had a Whistleblowing policy in place since 2011 which was last updated in 2015. In 2015/2016, there were no complaints made under this policy. The policy is freely available to all staff via the intranet pages and forms part of the staff handbook. In the most recent staff survey (January 2016), staff reported favourably against being able to raise concerns and issues through their line management chain.

Ministerial Directions

There have been no Ministerial Directions during 2015-16.

Managing risk

CCWater has an established risk management strategy and a risk register for the management and mitigation of risk. CCWater's risk maturity was reviewed by internal audit in October 2012 and rated as 'Defined' - Risk Management strategy and policies in place and communicated across the organisation to all Staff, Board and LCAs. The risk register is a live document, which is reviewed by the Executive Team on a six weekly basis. The register considers strategic, operational, financial, staffing and external risks. The risk register is also reviewed closely by the Audit and Risk Management Committee at each quarterly meeting and the highest risks are considered by the Board annually.

During 2015-16 the Executive team undertook a detailed review of CCWater's Risk Register. New risks identified during the year included the impact of the CCWater restructure on morale and productivity. Risks that have reduced in their risk score relate to the change in CCWater Board and LCA membership.

Risk assurance framework

CCWater's 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 accountability 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 were conducted in a consistent and rigorous manner, taking account of CCWater's capacity and capability to achieve its objectives. The Executive Team members monitor individual project risks, and identify those which required management outside the individual project, at corporate level;
- **Capability:** the achievement of objectives and financial control, 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, which was used to agree resource limits and specifications at the outset of work. One of the risks for CCWater is that of key personnel leaving or being de-motivated by the uncertainty surrounding CCWater's future. This is mitigated with continuity plans to deal with the loss of key staff along with regular updates to staff on both potential consultation on CCWater's merger with another consumer body and the Government's review of public bodies; and,
- **Outcomes:** agreed at an operational and corporate level and then regularly monitored to ensure that they are achieved. The amount of risk that the organisation is prepared to accept, tolerate, or be exposed to at any point in time, is determined by the organisation's Board and Executive Team, having both used appropriate escalation processes and being prepared to use further escalation processes.

Strategic risks for CCWater

In 2015-16 the most significant risks facing CCWater related to:

- Demonstrate to Government the need for a robust and independent consumer body like CCWater; and,
- Strategic marginalisation of CCWater: water companies and Ofwat look more towards Customer Challenge Groups than CCWater in the future.

CCWater managed these risks effectively and they did not impact on the organisation's ability to deliver its Forward Work Programme or its relationship with stakeholders.

The Audit and Risk Management Committee was content with the way the organisation managed its risks and did not identify any areas of concern.

Information management and data security

CCWater's approach to the management of security risks is proportionate to the nature of the risks and the comparatively low amount of sensitive information held. There have been no reported significant data losses in the course of the year that required reporting to the Information Commissioner's Office.

During the year, there was an attempted viral attack on our IT systems, this was not successful and there was no loss of data as a result. Our IT security is under constant review to ensure it is robust.

CCWater's information and data security policy aims to ensure that all sensitive information is safeguarded and kept securely. To manage this, CCWater has implemented a series of actions to ensure that information risks are identified and managed and personal information is protected. These are:

- accidental disclosure of personal or business data has been included in CCWater's risk register along with appropriate controls and assurance. The risk register is reviewed regularly by CCWater's Executive, CCWater's Audit & Risk Management Committee and CCWater's Board;
- an Information Asset Officer and Senior Information Asset Officer have been appointed and responsibilities have been assigned;
- CCWater participates in Defra's quarterly information risk assessments;
- managing information risk is integrated into CCWater Human Resources processes and all members of staff are aware of their responsibilities;
- CCWater has an Information Charter which explains how it handles personal data;
- personal information held by CCWater is identified, clearly marked and subject to controlled storage and disposal;
- only non sensitive information is allowed to be transferred to removable media; and,
- CCWater staff undertakes mandatory E-Learning on data handling and information risk awareness training and assessment and all new staff receive data security information as part of their induction process.

Management of Procurement

CCWater has taken steps during the year to update the controls in place for procurement, including processes, policies, authorisation limits and reporting to the Executive team.

The Accounting Officer's review of effectiveness

As the Accounting Officer, I am responsible for reviewing the effectiveness of our governance system. I base my review on the work of the internal auditors and the Executive managers who are responsible for developing and maintaining the governance system, and on the comments the external auditors make in their management letter and other reports.

This year, we have continued to monitor and improve our governance system. The internal audit opinion of RSM was that our organisation had an adequate and effective framework for risk management, governance and internal control. The Board and Audit & Risk Management Committee reviewed and agreed our strategic risks. The Executive Team regularly reviews resources and progress made towards objectives. It also regularly identifies and evaluates the associated risks. No problems with our governance system have been identified during the financial year.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

6 June 2016

Remuneration and Staff Report

Staff remuneration

Pay progression for staff is performance related. It is assessed annually using CCWater's personal appraisal system. The percentage increase to CCWater's pay bill that is available for individual performance awards is agreed by Defra in line with Treasury's pay remit guidance. The percentage increase awarded for each of CCWater's four performance bandings is agreed by the Remuneration Committee.

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

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

In line with other government organisations Defra asked CCWater to submit proposals to remove its contractual obligation to annual performance related pay uplifts by the end of 2015-16.

All staff and public appointees (Board members and Local Consumer Advocates) are paid through CCWater's payroll.

Pension liabilities

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

Remuneration of Board members

These tables are subject to audit.

The following sections provide details of the remuneration of CCWater's Board Members.

Remuneration (salary and benefit in kind)

Single total figure of remuneration						
	Salary (£'000)		Benefits in kind (to nearest £100)		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Council Chair						
Alan Lovell (started 1 April 2015)	50-55	-	4,000	-	50-55	-
Yve Buckland (leaver 31 March 2015)	-	50-55	300	2,500	0-5	50-55
Regional & Wales Chairs						
Andrea Cook (leaver 31 March 2015)	-	35-40	-	-	-	35-40
Bernard Crump	*35-40	*35-40	2,200	2,200	40-45	40-45
David Heath (started 1 July 2015)**	30-35 (fye 35-40)	-	400	-	30-35	-
Charles Howeson (leaver 31 January 2015)	-	30-35 (fye 35-40)	-	-	-	30-35 (fye 35-40)
Robert Light (started 1 July 2015)**	30-35 (fye 35-40)	-	300	-	30-35	-
Tony Redmond	35-40	35-40	1,100	1,100	35-40	35-40
Diane McCrea (leaver 30 September 2015)	15-20 (fye 35-40)	35-40	200	500	20-25	35-40
Tom Taylor (started 1 October 2015)	15-20 (fye 35-40)	-	1,100	-	15-20	-
Independent Members						
Philip M. Johnson	5-10	5-10	3,300	1,700	10-15	5-10
Julie Hill	5-10	5-10	700	800	5-10	5-10

fye = full year equivalent

* Bernard Crump received payment for one extra day per week from January to May 2015 to cover Charles Howeson's responsibilities in the South West Region. ** Robert Light and David Heath were appointed as Chair Designates on 1 June until taking up their appointments on 1 July 2015.

Additional remuneration for chairing water companies' Customer Challenge Groups

CCWater Chair	Customer Challenge Group company	2015-16	2014-15
		Salary (£'000)	
Yve Buckland	Severn Trent, Anglian, Essex & Suffolk, South Staffordshire and Cambridge (until 30 April 2014)	-	0-5
Andrea Cook	United Utilities, Yorkshire and Northumbrian (until 30 April 2014)	-	0-5
Charles Howeson	South West, Wessex, Bristol and SembCorp Bournemouth (until 30 April 2014)	-	0-5
Diane McCrea	Dŵr Cymru Welsh Water and Dee Valley (until 30 April 2014)	-	0-5

The level of salary depends on the amount of work each Board member is involved in. Board member positions are non-pensionable.

Remuneration of senior managers

Disclosure of remuneration and pension interest of senior management (subject to audit)

Single total figure of remuneration										
	Salary (£'000)		Bonus Payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (to nearest £'000)		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Tony Smith Chief Executive	105-110	105-110	10-15	10-15	-	-	40,000	39,000	160-165	160-165
Phil Marshall Deputy Chief Executive (started 2 February 2015)	80-85	10-15 (fye 80-85)	-	-	-	-	31,000	5,000	115-120	15-20
Deryck Hall Head of Policy & Research	60-65	60-65	-	-	-	-	14,000	11,000	70-75	70-75
Jane Morris Head of Corporate Services & Strategy (leaver 10 April 2015)	5-10 (fye 65-70)	65-70	-	-	-	-	85,000	17,000	90-95	85-90
Carl Pegg Head of Consumer Relations & Communications	65-70	65-70	-	-	-	-	21,000	18,000	85-90	80-85
Marie Perry Head of Finance & Procurement (started 8 February 2016)	5-10 (fye 35-40)*	-	-	-	-	-	2,000	-	5-10	-

*FTE of this post is 70-75, the post is 0.5 FTE

The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Third party payments*

The following information was subject to audit.

	2015-16 Payment £000	2014-15 Payment £000
Badenoch and Clark Limited, Philip Lloyd Interim Head of Corporate Services (started 7 April to 11 March 2016)	127	-

*Civil Service Pension rights are not applicable to members of the Senior Management Team while contracted through a third party.

Salary

'Salary' includes gross salary, overtime, 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. Salary disclosures are based on accrued payments made by CCWater and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by CCWater and treated by the HM Revenue and Customs as a taxable emolument. Payments to the Board members for home to office expenses were paid gross of tax and the tax amounts were paid over to HM Revenue and Customs. Items that fell into this category were travel and subsistence incurred whilst attending meetings at their normal place of work.

Bonuses

The Chief Executive is entitled to a contractual bonus payment. This relates to the achievement of his objectives. The bonus reported in 2015-16 relates to the achievements of performance targets in 2014-15 and a part payment of £1,343 owed for 2012-13. The comparative bonuses reported for 2014-15 relate to the performance in 2013-14.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in CCWater in the financial year 2015-16 was £120,000 – £125,000 (2014-15, £120,000 – £125,000). This was 4.6 times (2014-15, 4.8 times) the median remuneration of the workforce, which was £26,805 (2014-15, £25,919). In 2015-16, nil (2014-15, nil) employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,142 to £122,296 (2014-15 £14,800 to £123,480)

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value (CETV) of pensions. These tables have been subjected to audit.

Senior managers disclosure of pension information 12 months ended 31 March 2016

Name	Accrued pension at pension age as at 31 March 2016 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Tony Smith – Chief Executive	35-40	0-2.5	708	619	39
Phil Marshall – Deputy Chief Executive (started 2 February 2015)	0-5	0-2.5	25	4	15
Deryck Hall – Head of Policy & Research	25-30 Lump sum 85-90	0-2.5 Lump sum 0-2.5	604	547	13
Jane Morris – Head of Corporate Services & Strategy (leaver 10 April 2015)	35-40 Lump sum 105-110	2.5-5 Lump sum 10-12.5	711	620	75
Carl Pegg – Head of Consumer Relations	35-40	0-2.5	622	556	17
Marie Perry – Head of Finance & Procurement (started 8 February 2016)	0-5	0-2.5	1	-	1

CETV – Cash Equivalent Transfer Value

Contingent labour - temporary staff

During 2015-16 CCWater spent £251,033 (2014-15, £54,822) on temporary staff to cover vacancies. This included £127,000 for the services of Philip Lloyd, Interim Head of Corporate Services.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for employees show pension earned in PCSPS or **alpha** – as appropriate. Where the employee has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% up to 30 September 2015 and between 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for employees show pension earned in PCSPS or **alpha** – as appropriate. Where the employee has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Staff numbers and related costs (this information has been subject to audit)

Analysis of Board members and staff, by gender and ethnicity

As a public body CCWater ensures equal opportunity for employment, regardless of race, sex, sexual orientation, gender reassignment, age, marriage or civil partnership, disability, pregnancy and maternity and religion or belief. All permanent staff are recruited on merit through fair and open competition.

As at 31 March 2016:

Number of :	Staff	Board (excl CEO)	Local Consumer Advocates
Total	69	8	20
Women	31	1	10
Ethnic minority	4	0	1
Disability	3	1	1

2.1 Staff costs comprise:

	2015-16			2014-15
	Permanently Employed Staff**	Others***	Total	Total
	£000s	£000s	£000s	£000s
Wages and salaries	2,142	588	2,730	2,593
Social security costs	174	26	200	205
Other pension costs	401	-	401	391
Other staff costs	272	-	272	-
Total net costs*	2,989	614	3,603	3,189

* Of the total, no charge has been made for capital projects

** Includes Casual staff

*** Includes Public Appointees, Local Consumer Advocates and Agency costs

Salary

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation. Board members and CCWater Local Consumer Advocates are included in the others column in the table above.

Pension

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but CCWater is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2015-16, employers' contributions of £386,617 were payable to the PCSPS (2014-15, £375,386) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a **partnership** pension account, a stakeholder pension with an employer contribution. Employers' contributions of £13,929 (2014-15, £15,121) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £393 (2014-15, £827), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £1,023 (2014-15, £1,574). Contributions prepaid at that date were nil.

There were no compensation scheme payments made for early departure in this year or the previous year. One individual retired early on ill health grounds; ill health retirement costs are met by the pension scheme.

Average numbers of persons employed

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

Number	2015-16	2014-15
Directly Employed	70	70
*Others	-	1
Total	<u>70</u>	<u>71</u>

*This includes staff on secondment.

Average number of public appointees

Number	2015-16	2014-15
Board	8	8
Local Consumer Advocates	22	16
Total	<u>30</u>	<u>24</u>

Sickness absences

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

During 2015-16 the number of working days lost was 8.03 per annum per employee compared to 7.8 days for 2014-15. This compares to the Chartered Institute of Personnel and Development (CIPD) average of 8.7 days for the public sector (CIPD Absence Management report 2015).

Employee involvement

CCWater attaches great importance to managing, developing and training its staff in accordance with best practice. A Staff Council exists within the organisation. All new employees recruited into the organisation received induction training, and a programme of specialist training is given to all staff to develop appropriate skills.

Reporting of Civil Service and other compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Exit package cost band	Number of compulsory redundancies	2015-16 Number of other departures agreed	Total number of exit packages by cost band	2014-15 Total number of exit packages by cost band
<£10,000	1	3	4	-
£10,000 - £25,000	1	8	9	-
£25,000 - £50,000	-	3	3	-
£50,000 - £100,000	-	-	-	-
£100,000- £150,000	-	-	-	-
£150,000- £200,000	-	-	-	-
Total number of exit packages	2	14	16	-
Total resource cost /£000	26	246	272	-

Off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, CCWater is required to publish information on our highly paid and/or senior off-payroll engagements. This is produced at Annex A.

Compensation for loss of office (this section was subject to audit)**Voluntary exits**

A voluntary exit scheme, for which CCWater received approval from Cabinet Office, ran during 2015-16, and 14 people were approved to leave under Voluntary Exit terms. They received a compensation payment of between £3,000 and £37,000.

Of the 14 voluntary exits, nil took early retirement.

The cost to CCWater of buying out the actuarial reduction of their pension was £nil. They did not receive any additional compensation.

There was no exit compensation package in excess of £100,000.

Compulsory exits

A compulsory exit scheme was also approved by Cabinet Office during 2015-16 and 2 people were approved to leave under compulsory exit terms. The estimated compensation payment is £26,000 and none are eligible for early retirement.

Parliamentary Accountability and Audit Report

Regularity of Expenditure

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 Non-Departmental Public Bodies' Accounting Officer Memorandum and *Managing Public Money*, issued by HM Treasury.

Losses and Special Payments

There were no losses or special payments reportable during the year (nil during 2014-15).

Remote Contingent Liabilities

In addition to contingent liabilities reported within the meaning of IAS 37, the NDPB also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. CCWater does not have any remote contingent liabilities as at 31st March 2016.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

6 June 2016

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 2016 under the Water Industry Act 1991 as amended by the Water Act 2003. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Water Industry Act 1991 as amended by the Water Act 2003. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Consumer Council for Water's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Consumer Council for Water; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Consumer Council for Water's affairs as at 31 March 2016 and of net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Water Industry Act 1991 as amended by the Water Act 2003 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Water Industry Act 1991 as amended by the Water Act 2003; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary Accountability Disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

28 June 2016

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

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2016

	Note	2015-16	2014-15
		<u>£000s</u>	<u>£000s</u>
Operating Income	4	(18)	(40)
Total operating income		(18)	(40)
Staff costs	2.1	3,603	3,189
Purchase of goods and services	3	1,943	2,370
Depreciation, amortisation and impairment	3	32	78
Total operating expenditure		5,578	5,637
Net operating expenditure		5,560	5,597
Comprehensive net expenditure for the year		5,560	5,597

There is no other comprehensive net expenditure.

The notes on pages 43 to 51 form part of these accounts.

Statement of Financial Position

as at 31 March 2016

	Note	2015-16 £000s	2014-15 £000s
Non-current assets			
Property, plant and equipment	5	13	51
Intangible assets	6	-	2
Total non-current assets		<u>13</u>	<u>53</u>
Current assets			
Other current assets	7	124	161
Cash and cash equivalents	8	578	913
Total current assets		<u>702</u>	<u>1,074</u>
Total assets		<u>715</u>	<u>1,127</u>
Current liabilities			
Trade and other payables	9	(467)	(404)
Provisions	10	(83)	(128)
Total current liabilities		<u>(550)</u>	<u>(532)</u>
Non-current assets plus net current assets		165	595
Total assets less total liabilities		<u>165</u>	<u>595</u>
Taxpayers' equity and other reserves:			
General fund		165	595
Total equity		<u>165</u>	<u>595</u>

The financial statements on pages 39 to 51 were approved by the Board on 6 June 2016 and were signed on its behalf by;

Tony Smith
Chief Executive and Accounting Officer

6 June 2016

The notes on pages 43 to 51 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2016

	Note	2015-16	2014-15
		<u>£000s</u>	<u>£000s</u>
Cash flows from operating activities			
Net operating cost		(5,560)	(5,597)
Adjustments for non-cash transactions	3	(5)	75
(Increase)/decrease in trade and other receivables	7	37	11
Increase/(decrease) in trade and other payables	9	63	(136)
Use of provisions	10	-	(11)
Net cash outflow from operating activities		<u>(5,465)</u>	<u>(5,658)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	-	-
Purchase of intangible assets	6	-	-
Net cash outflow from investing activities		<u>-</u>	<u>-</u>
Cash flows from financing activities			
Grants from sponsoring department		5,130	5,130
Net financing		<u>5,130</u>	<u>5,130</u>
Net increase/(decrease) in cash and cash equivalents in the period		(335)	(528)
Cash at the beginning of the period	8	913	1,441
Cash at the end of the period	8	<u>578</u>	<u>913</u>

The notes on pages 43 to 51 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the year ended 31 March 2016

	General Fund
	£000s
Balance at 31 March 2014	1,062
Grant from sponsoring department	5,130
Comprehensive net expenditure for the year	(5,597)
Balance at 31 March 2015	595
Grant from sponsoring department	5,130
Comprehensive Expenditure for the year	(5,560)
Balance at 31 March 2016	165

The notes on pages 43 to 51 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Consumer Council for Water for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Consumer Council for Water are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Property, plant and equipment

As permitted by the FReM, non-current assets are no longer re-valued on an annual basis using indices. Depreciated historical cost is now used as a proxy for current fair value as this realistically reflects consumption of the assets. Revaluation would not cause a material difference. The minimum level for the capitalisation of tangible fixed assets and intangible assets is £2,000.

Tangible non-current assets consist of furniture, fixtures and fittings, office machinery, leasehold improvements and IT. Intangible non current assets comprise of purchased software licences. Website developments are no longer capitalised.

1.3 Depreciation

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

<u>Asset classification</u>	<u>Asset life</u>
Furniture, fixtures and fittings	10 years
IT equipment	3 to 5 years
Office machinery and telecoms	5 years
Leasehold improvements	Life of the lease

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

1.4 Leases

CCWater had no finance leases as at 31 March 2016 (nil at 31 March 2015). Rentals due under operating leases are charged over the lease term on a straight-line basis, or on the basis of actual rental payable where this fairly reflects usage.

1.5 Grants receivables

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

1.6 Value added tax

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

1.7 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.

1.8 Contingent liabilities

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

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

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi-employer defined benefit scheme, and CCWater is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

There were no compensation scheme payments for early departure in this year or previous year.

2 Staff costs

Full details of staff costs and numbers and relevant disclosures are shown in the Remuneration and Staff Report.

2.1 Staff costs comprise:

	2015-16			2014-15
	Permanently Employed Staff**	Others***	Total	Total
	£000s	£000s	£000s	£000s
Wages and salaries	2,142	588	2,730	2,593
Social security costs	174	26	200	205
Other pension costs	401	-	401	391
Other staff costs	272	-	272	-
Total net costs*	2,989	614	3,603	3,189

* Of the total, no charge has been made for capital projects

** Includes Casual staff

*** Includes Public Appointees, Local Consumer Advocates and Agency costs

3 Programme Costs

	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Rentals under operating leases:		
Accommodation	518	551
IT software	141	126
Office equipment	<u>5</u>	<u>6</u>
	<u>664</u>	<u>683</u>
Non cash items:		
Depreciation	30	39
Amortisation	2	39
(Profit)/Loss on disposal of assets	8	(3)
Office relocation provision released	(63)	-
Provision for pay award	18	-
Unwinding of discount on provision	-	-
	<u>(5)</u>	<u>75</u>
Other expenditure:		
Research & consultancy	562	919
Personnel Overheads	226	211
Training	42	34
Publicity, Library & Parliament	83	78
Computer Services	72	70
Office Support costs	161	192
Auditors' remuneration*	23	25
Other accommodation costs	<u>147</u>	<u>161</u>
	<u>1,316</u>	<u>1,690</u>
Total	<u>1,975</u>	<u>2,448</u>

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

4 Income

	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Income	<u>18</u>	<u>40</u>
Total	<u>18</u>	<u>40</u>

Operating income is derived from sub-letting parts of the Birmingham office.

5 Property, plant and equipment

	Leasehold improvements	IT equipment	Total
	£000s	£000s	£000s
Cost or valuation			
At 1 April 2015	236	89	325
Additions	-	-	-
Disposals	(21)	-	(21)
At 31 March 2016	215	89	304
Depreciation			
At 1 April 2015	210	64	274
Charged in year	18	12	30
Disposals	(13)	-	(13)
At 31 March 2016	215	76	291
Carrying value at 31 March 2016	-	13	13
Carrying value at 31 March 2015	26	25	51

	Leasehold improvements	IT equipment	Total
	£000s	£000s	£000s
Cost or valuation			
At 1 April 2014	236	89	325
Additions	-	-	-
Disposals	-	-	-
At 31 March 2015	236	89	325
Depreciation			
At 1 April 2014	181	54	235
Charged in year	29	10	39
Disposals	-	-	-
At 31 March 2015	210	64	274
Carrying value at 31 March 2015	26	25	51
Carrying value at 31 March 2014	55	35	90

6 Intangible assets

	Software Licences £000s
Cost or valuation	
At 1 April 2015	172
Additions	-
Disposals	-
At 31 March 2016	172
Amortisation	
At 1 April 2015	170
Charged in year	2
Disposals	-
At 31 March 2016	172
Carrying value at 31 March 2016	-
Carrying value at 31 March 2015	2
Cost or valuation	
At 1 April 2014	175
Additions	-
Disposals	(3)
At 31 March 2015	172
Amortisation	
At 1 April 2014	137
Charged in year	39
Disposals	(6)
At 31 March 2015	170
Carrying value at 31 March 2015	2
Carrying value at 31 March 2014	38

7 Trade receivables, financial and other assets

	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Amounts falling due within one year:		
Other receivables	7	-
Advances*	7	12
Prepayments and accrued income	110	149
	<u>124</u>	<u>161</u>

*Advances comprise of 11 travel season ticket loans & 2 bicycle loans

8 Cash and cash equivalents

	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Balance at 1 April	913	1,441
Net change in cash balances	(335)	(528)
Balance at 31 March	<u>578</u>	<u>913</u>

The following balances at 31 March were held at :

Government Banking Services	578	913
Balance at 31 March	<u>578</u>	<u>913</u>

9 Trade payables and other current liabilities

	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Amounts falling due within one year:		
Trade payables	17	62
Accruals and deferred Income*	342	236
Other tax and social security	64	63
Other payables	44	43
	<u>467</u>	<u>404</u>

Amounts falling due after more than one year:

Accruals and deferred Income*	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

*Within accruals £ nil (2014-15 £6k) relates to rent free premises for Victoria Square House of which nil relates to falling due after one year.

10 Provisions for liabilities and charges

	Leasehold Property Dilapidations	Pay Award	Total
	£000s	£000s	£000s
Balance at 1 April 2015	128	-	128
Provided in year	-	18	18
Provision not required written back	(63)	-	(63)
Provision utilised in year	-	-	-
Unwinding of discount	-	-	-
Balance at 31 March 2016	65	18	83

Analysis of expected timing of discounted cash flows

	£000s
Not later than one year	83
Later than one year and not later than five years	-
Later than five years	-
	<u>83</u>

	Leasehold Property Dilapidations	Pay Award	Total
	£000s	£000s	£000s
Balance at 1 April 2014	133	-	133
Provided in year	-	-	-
Provision not required written back	-	-	-
Provision utilised in year	(5)	-	(5)
Unwinding of discount	-	-	-
Balance at 31 March 2015	128	-	128

Analysis of expected timing of discounted cash flows

	£000s
Not later than one year	128
Later than one year and not later than five years	-
Later than five years	-
Balance at 31 March 2015	<u>128</u>

10.1 Early departure costs

There were no early departure costs in 2015-16 (£6k in 2014-15)

The early retirement provision relates to the costs of pensions for individuals who have retired early. We meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. We provide for this in full when the early retirement programme becomes binding on us by establishing a provision for the estimated payments discounted by the Treasury pension rate of 1.3 per cent in real terms.

11 Capital commitments

There were no contracted capital commitments at 31 March this year and last year for which no provision has been made.

12 Commitments under leases

Operating leases

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

	2015-16	2014-15
	<u>£000s</u>	<u>£000s</u>
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	14	228
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>14</u>	<u>228</u>
Other:		
Not later than one year	152	143
Later than one year and not later than five years	61	213
Later than five years	-	-
	<u>213</u>	<u>356</u>

Other represents the renewed lease with Capita for the IT managed service.

13 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities as at 31 March 2016 (nil as at 31 March 2015).

14 Losses and special payments

There were no losses or special payments reportable during the year (nil during 2014-15).

15 Financial instruments

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

16 Related party transactions

CCWater received grant in aid from Defra during 2015-16, £5.13m (2014-15: £5.13m). Defra and the Welsh Government are CCWater's sponsoring departments.

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

CCWater has sublet part of the Birmingham office to the Equality and Human Rights Commission and received rental income; during 2015-16 of £18k (2014-15: £40k).

CCWater had a Memorandum of Terms of Occupation (MOTO) agreement for the Darlington, Manchester, Cambridge, Cardiff, Bristol, Exeter and London Office with Defra. All these premises, with the exception of Cardiff were vacated during the financial year. No Board member, key manager or other related parties has undertaken any material transactions with CCWater during the year.

17 Events after reporting period date

There were no reportable events after the reporting period.

The Accounting Officer duly authorised the issue of these financial statements on the date of the Comptroller and Auditor General's audit certificate.

Annex A

Table 1: For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last for longer than six months

	Number of arrangements
Existing at 31 March 2016	
existed for less than one year at the time of reporting	-
existed for between one and two year at the time of reporting	-

Table 2: For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016, for more than £220 per day and that last for longer than six months

	Number of arrangements
Number of new engagements for more than £220 per day and that last longer than 6 months	1
Number of new engagements which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	
The number for whom assurance has been requested	1
The number for whom assurance has been requested and received	1
The number for who assurance has been requested and not received	-
The number that have been terminated as a result of assurance not being received	-

Table 3: For any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016

	Number of arrangements
No. of off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Total no. of individuals on payroll and off-payroll that have been deemed "Board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both on payroll and off-payroll engagements.	-

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