Office of Water Services

Resource Accounts 1999–2000

LONDON: The Stationery Office

HC 176



Office of Water Services Resource Accounts 1999–2000

(For the year ended 31 March 2000)

Ordered by the House of Commons to be printed 31 January 2001

LONDON: The Stationery Office

HC 176

Contents

	Page
Summary of Annual Report:	3
Foreword	4
Statement of Accounting Officer's Responsibilities	7
Statement on the System of Internal Financial Control	8
Certificate and Report of the Comptroller and Auditor General	9
The Acounting Schedules: Schedule 1—Summary of Resource Outturn Schedule 2—Operating Cost Statement Schedule 3—Balance Sheet Schedule 4—Cash Flow Statement Schedule 5—Resources by Departmental Aims and Objectives	10 11 12 13 14
Notes to the Accounts	15

The Ofwat Financial Accounts and Summary Annual Report 1999–2000

Summary of the Annual Report

The Office of Water Services (Ofwat) Annual Report was published on 11 May 2000 (HC 455) and included reference to the following achievements:

- Setting New Price Limits: on 25 November 1999 the Director published the Final Determinations: Future Water and Sewerage Charges 2000–05. This announced a 12% average reduction in bills and a £15 billion investment programme to improve drinking water quality and protect the environment; to maintain the Industry's infrastructure to deliver services to customers; and to ensure that the supply of water meets essential demands without over-abstraction:
- Extending Competition: the 1998 Competition Act came into force on 1 March 2000. This legislation is designed to prevent anti-competitive behaviour and the abuse of dominant market position by all enterprises. This year, we have developed a new policy and guidance to support the Act;
- Regulating Company Performance: comparing company performance in public is one of the Director's most powerful methods for generating incentives to greater efficiency and improved services.
 We have monitored and analysed the companies performance on service to customers. Our five annual reports on company performance contain information on this;
- Paying for Water and Approving Charges: most of our work this year was driven by the Water Industry Act 1999. For the first time the water companies had to obtain the Director's approval of their charges schemes. These new powers further protect customer interest;
- Working with Customer Representatives and Customer Protection: Ofwat continues to work closely with the Customer Service Committees (CSCs) and the Ofwat National Consumer Council (ONCC). CSCs have throughout the year made a major contribution as the independent voice of the customer; influencing the outcome of the Price Review (PR) and contributing to the approval of Charges Schemes. They have received over 12,000 complaints, obtained compensation and refunds for customers totaling £0.5M and audited the companies Customer Services;
- Open and Effective Regulation: we delivered the majority of our Customer Charter Standard this year.
 We are committed to Joined up Government, working with other Departments and regulators to deliver successful outcomes for customers.

Further information is included in Ofwat's Annual Report.

Foreword

Introduction

The Accounts cover the operation of the Ofwat for the period 1 April 1999 to 31 March 2000. They have been prepared on an accruals basis in accordance with the HM Treasury (HMT) Resource Accounting Manual. The Accounts cover the work carried out by the Head Office in Birmingham, as well as 10 Regional CSCs and the ONCC.

The Financial Year 1999–2000 was a year of considerable achievement for Ofwat. The key task was the completion of the 1999 Periodic Review (PR) of price limits. Other important outputs included:

- preparation for the implementation of the Competition Act 1998;
- introduction of the Water Industry Act 1999;
- avoidance of any disruption across the industry due to Year 2000 computer problems;
- achieving Investors in People (IIP) accreditation.

The main financial highlights are summarised below:

Operations Cost Summary	1999–2000 £000s
Income per Licence fees Other income Deferred income	11,900 46 -1,196
Total Income Administration costs	10,750 10,705
Net Operating Cost	
Balance Sheet Summary	
Total assets Total liabilities	1,857 -2,034
TOTAL NET ASSETS	-177

Licence Fee income is subject to the constraints set out in Condition N and negotiation with HMT. Fees are based on an estimate of costs at the start of the financial year. In anticipation of these costs, fees recovered from the industry increased by £1.4M (13%) on the previous year. Additional costs were anticipated in completing the PR, actioning references to the Competition Commission and implementing legislation.

Forecasting the financial resources required during the year was complicated by a number of uncertainties. The progress of the Utilities Bill was delayed and eventually Water and Telecommunications were withdrawn. As a result the expected costs of restructuring associated with the Bill did not materialise. The outcome of PR99 resulted in only two references to the Competition Commission; this avoided significant additional expenditure on legal and consultancy costs.

The implementation of the Resource Accounts and Budgeting (RAB) continued in accordance with the HM Treasury timetable.

During the year approval was given by the Deputy Prime Minister, with support from the National Assembly for Wales, for a change to Licence Condition N. This sets the rules governing the fees charged to companies to cover the costs of the Office and CSCs. The change was subject to consultation with companies. The effect on Condition N is to provide opportunity for a more even flow of income over five years up to and including each PR year but still within the constraints of a maximum ceiling, which is subject to HMT approval.

Ofwat's Aim and Objectives

The Director General of Water Services is the Economic Regulator of the water and sewerage industry in England and Wales. His duties are laid down in Section II of the Water Industry Act 1991.

Ofwat aims to regulate the water and sewerage companies in a fair and open way in order to secure continuing improvements in quality of service and value for money for their customers. This includes:

- ensuring that companies carry out their functions;
- ensuring that companies can finance their functions;
- protecting customers;
- promoting economy and efficiency;
- facilitating competition;
- taking regard of environmental issues.

Scope of the Accounts

There are no public sector bodies outside the boundary for which the Department has lead policy responsibility. Therefore, the accounts cover Ofwat, CSCs and ONCC only.

Roles and Responsibilities

Ofwat is a non-ministerial Central Government Department with its own vote. It is led by the Director General who carries the responsibilities of the Accounting Officer, supported by the Director of Operations who is the Principal Finance Officer. The Director General presented his annual report to the Rt Hon John Prescott MP Deputy Prime Minister, Secretary of State for the Environment Transport and the Regions and the Rt Hon Rhodri Morgan MP First Secretary of the National Assembly for Wales, on the performance of the office on 11 May 2000.

The composition of the Senior Management Team in the reporting period was as follows:

Sir Ian Byatt:

Director General

Mike Saunders:

Director of Tariffs and Consumer Affairs

Bill Emery: David Rees: Director of Costs and Performance and Chief Engineer Director of Corporate Finance and Economic Affairs

Roger Dunshea:

Director of Operations

Allan Merry:

Legal Advisor

Julia Havard:

Head of External Relations

Roy Wardle: Tony Ballance: Head of Consumer Representation

Chief Economist (left the Department on 30 November 1999)

The Director General was appointed in 1989 by the Secretary of State for the Environment under Section 5 of the Water Industry Act 1989. His current contract ran from 1 July 1996 until 1 August 2000. On 1 August 2000 Philip Fletcher was appointed Director General. The Director General's remuneration is agreed as part of his employment contract. His contract can only be terminated due to incapacity or misbehaviour. The contracts of other members of the Senior Management Team can be terminated by the standard process as set out in the Civil Service Management Code.

Members of the Senior Management Team are members of the Senior Civil Service and are appraised and remunerated, (including performance pay) in line with Senior Civil Service requirements. The details of remuneration are included at Note 2 to the Accounts.

Staff Remuneration

Staff salaries are set on the basis of recruiting and retaining high calibre staff within the framework of controlling public expenditure set by Government. Members of the Senior Civil Service receive increases in line with Senior Salaries Review Body guidance. The Remuneration Committee determines pay awards for the rest of the Office. The Office follows a performance related pay policy.

Pension Liabilities

Ofwat staff are covered by the Principal Civil Service Pension Scheme (PCSPS) which is a benefit and pay as you go scheme, with benefit expenditure borne on the Civil Superannuation Vote. Ofwat bears the cost of pension provision for its staff by the payment of an accruing superannuation liability charge on an ongoing basis. This charge is separate from the members' contributions, which are deducted from salary and contribute to the pension for widows/widowers.

A "By-Analogy Scheme" is in operation to meet the pension requirements of the Director General and was put into place when he was appointed in 1989. As the Scheme has by-analogy status it offers similar benefits to the PCSPS.

Equal Opportunities Policy

Ofwat recruits staff on merit through fair and open competition. This ensures equal opportunity for employment, regardless of race, sex, physical disability or marital status. All recruitment activity is subject to audit by the Civil Service Commissioners to ensure that Ofwat complies with the guidance set out in its recruitment code.

Payment of Suppliers

Ofwat achieved 99% against the Government target for paying invoices within 30 days of receipt in 1999–2000 and is committed to achieving the 100% target for 2000–01.

Audit

The Internal Audit Service for the Department during 1999–2000 was provided by Deloitte & Touche on a contract basis. The external auditor for the Department is the Comptroller and Auditor General.

Philip Fletcher
Accounting Officer

20 October 2000

Statement of Accounting Officer's Responsibilities

Under Section 5 of the Exchequer and Audit Act 1921 Ofwat is required to prepare resource accounts for each financial year, in conformity with a Treasury direction, detailing the resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources acquired, held, or disposed of during the year and the use of resources by the Department during the year.

The Treasury has appointed the Permanent Head of the Department as Accounting Officer of the Department with responsibility for preparing the Department'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 Resource Accounting Manual prepared by the Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Resource Accounting Manual, have been followed, and disclose and explain any material departures in the accounts;
- prepare the accounts on the going concern basis.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officer's Memorandum, issued by the Treasury and published in *Government Accounting*.

Statement on the System of Internal Financial Control

This statement is given in respect of the Resource Account for the Office of Water Services (Ofwat). As Accounting Officer for the Department, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated in connection with the resources concerned.

The system of internal financial control can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Heads of Divisions;
- regular reviews by the Executive Management Group of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- the preparation of regular financial reports which indicate actual expenditure against forecast;
- clearly defined capital investment control guidelines; and
- as appropriate, formal project management disciplines.

The Department has an internal audit function, which operates to standards defined in the Government Internal Audit Manual. The work of the Internal Audit Function is informed by an analysis of the risks to which the Department is exposed, and annual Internal Audit Plans are based on this analysis. The analysis and the Internal Audit Plans are endorsed by me as the Accounting Officer. At least annually, the Head of Internal Audit (HIA) provides me with a report on Internal Audit activity in the Department. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Department's system of internal financial control. The Ofwat Audit Committee was established during 1999–2000. Its members comprise a chairman and members who are not Ofwat executives. The work of the committee is supported by representatives of Ofwat management.

My review of the effectiveness of the system of internal financial control is informed by the work of the Internal Auditors and the executive managers within the Department who have responsibility for the development and maintenance of the Financial Control Framework, and comments made by the External Auditors in their management letter and other reports.

Implementation of the Turnbull Report

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with the Treasury's requirement for a statement of internal control to be prepared for the year ended 31 March 2002, in accordance with guidance issued by them.

Philip Fletcher
Accounting Officer

20 October 2000

Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements on pages 10 to 22 under the Exchequer and Audit Departments Act 1921. These financial statements have been prepared under the historic cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 15 to 16.

Respective Responsibilities of the Accounting Officer and Auditor

As described on page 7 the Accounting Officer is responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for the preparation of the summary Annual Report. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Exchequer and Audit Departments Act 1921 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transaction conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Department has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information in the summary Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on page 8 reflects the Department's compliance with Treasury's guidance "Corporate Governance: Statement of the System of Internal Financial Control". I report if it does not meet the requirements specified by the Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of Opinion

I conducted my audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate for the Department's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from the material mis-statement, whether caused by error, or by fraud or by other irregularity, and that, in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I have also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Office of Water Services at 31 March 2000 and of the net resource outturn, resources applied to objectives, total recognised gains and losses and cashflows for the year then ended, and have properly been prepared in accordance with the Exchequer and Audit Departments Act 1921 and directions thereunder by HM Treasury; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourne Comptroller and Auditor General National Audit Office 157–197 Buckingham Palace Road Victoria London SW1W 9SP

25 October 2000

SCHEDULE 1

Summary of Resource Outturn

for the year ended 31 March 2000

	Estimate (indicative figures)				Outturn		
	Gross Expenditure	AinA 2	Net Total 3	Gross Expenditure 4	Ain <u>A</u>	Net Total	Net Total Outturn Compared with Estimated Saving/ (excess)
	£000			£000	£000	6 	
Request for Resource 1 Non Operating Cost A-in-A	11,901	11,900	1	10,705	10,704	1	
Net Cash Requirement		_	1		·	1	
		Note	£000			£000	£000
Reconciliation of Resources to Requirement	Cash						
Total Resources (Net) Non-cash items Changes in working capital other than cash		3 6	- 391 - 300 0			1 - 280 - 632	- 392 -20 632
Purchase of fixed assets Disposal of fixed assets Payments made early retirement		7(1)&7(2) 7(1)&7(2)	310 0 0			210 -3 29	100 3 29
Non-Operating-Cost A-in-A Excess cash to be CFERd Net Cash Requirement (Schedule 4)			382			676	<u>-294</u> 0

Analysis of income payable to the Consolidated Fund

In addition to appropriations-in-aid the following income relates to the office and is payable to the Consolidated Fund (cash receipts being shown in italics):

	1999–2000	Forecast	1999-2000	Outturn					
	Income	Income	Income	Income	Income	Income	Receipts	Income	Receipts
	£000	£000	£000	£000					
Income not classified as A-in-A Income from the sale of publications not	_	·	11	6					
Classified as A-in-A Income from VAT refunds not classified as			35	37					
A-in-A	_		260	332					
Surplus A-in-A		_	676	775					
		650	982	1,150					

SCHEDULE 2

Operating Cost Statement

for the year ended 31 March 2000

		1999–2	2000
	Notes	£000	£000
Administration Costs			
Staff costs	2	5,981	
Other administration costs	. 3	4,724	
Gross Administrative Costs			10,705
Operating income	4		10,750
Net administrative costs			-45
Programme Costs			_
Net Operating Cost	5		-45
Net Resource Budget Outturn	5		1
Net Resource Outturn	5		1

Statement of Recognised Gains and Losses

for the year ended 31 March 2000

	1999–2000
	£000
Net operating cost	-45
Unrealised surplus arising on revaluation of tangible fixed asset Total recognised loss for the financial year	<u>4</u> <u>-41</u>

The notes on pages 15 to 22 form part of these accounts.

SCHEDULE 3

Balance Sheet as at 31 March 2000

		31 Marcl	n 2000	31 March	1999
	Notes	£000	£000	£000	£000
Fixed Assets					
Tangible assets	7.1	510		501	
Intangible assets	7.2	39		56	
			549		557
Current Assets					
Debtors	8	834		851	
Cash at bank and in hand	9	474		795	
		1,308		1,646	
Creditors (due within 1 year)					
Creditors	10 ·	1,584		<u> 1,972</u>	
Net Current Assets			-276		
Total Assets less Current Liabilities			273		231
Provision for Liabilities and Charges	11	-450		-468	
Total Net Assets			-450		-468
Taxpayers' Equity					-237
General fund	13	-264		-320	
Revaluation reserve	12	87		83	
110 7 41 44 110 11 10 001 70			<u>–177</u>		-237

SCHEDULE 4

Cash Flow Statement

for the year ended 31 March 2000

Notes	1999–2000
	£000
Net cash outflow from operating activities Capital expenditure and financial investment Payments made-early retirement Payments to the Consolidated Fund	957 - 207 - 29 - 1,031
Decrease/increase in cash in the period	-310
Reconciliation of operating costs to operating cash flows Net operating cost Income not classified as A-in-A 5	46
5	45
Adjustment for non-cash transactions Adjustment for movements in working capital other than cash 6	
Net cash flow from operating activities	957
Analysis of capital expenditure and financial investment Purchase of fixed assets tangible and intangible assets Proceeds from disposal of fixed assets 7(1)(2) 7(1)	210
Net cash outflow from investing activities	207
Analysis of financing To the Consolidated Fund Decrease in cash in the period Payments due to Consolidated Fund	-1,031 310 722
Net cash requirement (Schedule 1)	1
Payments due to the Consolidated Fund Per Schedule 1 Add: income not classified as A-in-A, but credited to the	676
Operating cost statement 4	46
	722

SCHEDULE 5

Resources by Departmental Aims and Objectives

for the year ended 31 March 2000

	1999–2000			
	Gross Income			
	£000	£000	£000	
Aim Objective 1 Quality and Security of Supply and Customer Representation	5,186			
Objective 2 Set Prices and annual monitoring	4,129			
Objective 3 Competition and Tariffs Policy	1,390			
Net Operating Costs	10,705	-10,750	- 45	

Note:

Income received from Licence Fees and Publications is not specific to one objective but applies to all regulatory objectives.

Direct costs are identified to each objective through the activity costing system. Overheads are apportioned to the objectives on the basis of direct costs.

The Department's capital is employed exclusively for administration purposes. Its distribution between objectives is therefore not markedly different from the related gross administration cost.

Notes to the Accounts

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the Accounts Direction, the Resource Accounting Manual issued by HM Treasury and the relevant accounting standards. The particular accounting policies adopted by the Department are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting Convention

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

1.2 Fixed Assets

Tangible fixed assets consist of furniture and fittings, office machinery, IT and telecommunications equipment. Intangible assets consist of proprietary software licences.

With the exception of PCs and office furniture, individual assets must exceed a capitalisation threshold for inclusion as fixed assets. PCs and office furniture items falling below the threshold are capitalised as groups.

1.3 Depreciation

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

Asset Classification	Asset Life
Furniture, fixtures and fittings	10 years
IT equipment	3-5 years
Office machinery	5 years
Telecommunications	3–5 years
Intangible assets	3 years

1.4 Leases

Assets held under finance leases are included under tangible fixed assets at their capital value and depreciated over their useful economic lives. Leasing payments consist of capital and interest elements with the interest element charged to the Operating Cost Statement. 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 Research and Development

Expenditure on research and development is charged as an operating cost in the year in which it is incurred.

1.6 Operating Income

Operating income relates to the Licence fees that are charged to the Water and Sewerage companies under the Water Act 1991.

1.7 Administration and Programme Expenditure

Administration costs are recorded in the operating cost statement. They include the costs of running the Department, as defined under the administration cost-control regime, together with associated operating income. There was no Programme expenditure.

1.8 Capital Charge

A non-cash charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the government's standard rate of 6 % in real terms on all assets less liabilities, except for:

- a) cash balance with the Office of the Paymaster General (OPG), where the charge is nil;
- b) Consolidated Fund creditors, where the credit is nil.

1999_2000

Notes to the Accounts (continued)

1.9 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is non-contributory and unfunded. Although the Scheme is a defined benefit scheme, liability for payment of future benefits is charged to the PCSPS. Departments, covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

1.10 Early Departure Costs

The Department is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and is binding on the Department. The Department may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. The amount provided is shown net of any such payments.

1.11 Value Added Tax

Other administration costs are stated inclusive of VAT. Ofwat recovers VAT on allowable items of expenditure but this income is then paid over to the Consolidated Fund which is managed by HM Treasury. As Ofwat receives no benefit from the VAT recovered expenditure is stated gross of VAT.

1.12 Deferred Income

Income from Licence fees that exceed the level of operating Costs is treated as deferred income and is taken into account when calculating the future level of Licence fees charged to the Water and Sewerage companies under the Water Act 1991.

2. Staff Numbers and Costs

Staff costs consist of:

			1333-2000
			£000
Wages and Salaries Social Security Costs Other Pension Costs			4,994 385 602
Total			5,981

For 1999–2000 contributions of £602,334 (1998–99 £532,842) were paid to the PCSPS at rates determined by the Government Actuary and advised by HM Treasury. These rates were in the range 11–19.5 per cent of pensionable pay.

The average number of whole-time equivalent persons employed (including senior management) by objective during the year was as follows:

	1999-2000
Objective 1—Quality and Security of Supply and Customer Representation	133
Objective 2—Set Prices and Annual Monitoring	61
Objective 3—Competition and Tariffs Policy	23
Total	217

The salary and pension entitlements of the most senior managers of the Department were as follows:

Name and title	Age	Salary (as defined below)	Real increase in pension at age 60	Total accrued pension at age 60 at 31 March 2000
		£000	£000	£000
Sir Ian Byatt Director General	68	110–115	0.0-2.5	Note 1 20-25
David Rees Director of Corporate Finance and Economic Affairs	40	85–90	0.0–2.5	0–5
Mike Saunders Director of Tariffs & Consumer Affairs	56	70–75	0.0–2.5	5–10
Roger Dunshea Director of Operations	44	65–70	0.0-2.5	0–5
Bill Emery Director of Costs and Performance and Chief Engineer	48	65–70	0.0–2.5	5–10
Roy Wardle Head of Consumer Representation	48	55–60	2.5–5.0	20–25
Julia Harvard Head of External Relations	45	50–55	5.0–7.5	10–15
Allan Merry Legal Advisor	55	45–50	0.0–2.5	5–10 Note 2
Tony Ballance Chief Economist	35	35–40	0.0–2.5	0–5

Pension benefits are provided through the Principal Civil Service Pension Scheme (PCSPS). This is a statutory scheme which provides benefits on a "final salary" basis at a normal retirement age of 60. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to 3 years' pension is payable on retirement. Members pay contributions of 1.5 per cent of pensionable earnings. Pensions increase in payment in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service the scheme pays a lump sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health. In this case, pensions are brought into payment immediately without actuarial reduction and with service enhanced as for widow(er) pensions.

Salaries include gross salaries, recruitment and retention allowances, private office allowances and performance bonuses paid in respect of the year. They do not include the estimated monetary value of benefits in kind.

During the financial year the remuneration committee awarded bonus of £254,640 to 203 staff in recognition of the work undertaken throughout the Periodic Review project which was successfully completed in November 1999.

Note 1

The pension details reflect the amounts as they relate to Ofwat. Total figures relating to the Director General's pension are:

Total accrued pension at age 60 at 31 March 2000	Real increase in pension at age 60	
	£000	
55–60	2.5–5.0	

Note 2

This relates to the period 1 April 1999 to 30 November 1999.

Notes to the Accounts (continued)

3. Other Administration Costs

Total

5. Other Administration Costs			1999–2000
			£000
Rentals under operating leases:			•
Accommodation			924
Office equipment Other			75 7
other			
			1,006
Non cash items:			
Depreciation			197
Profit on disposal of fixed assets			3
Cost of capital charge Auditors remuneration			21 20
Increase in provision			10
Unwinding of provision discount			1
Permanent diminution of fixed asset			34
			280
Oshan suman distunct			
Other expenditure: Consultancy services			867
Agency staff			148
Training			160
Travel and subsistence			245
Rates Computer hire and maintenance			277 122
Seminars			93
Publications			409
Books and periodicals			171
Other hire and maintenance			100
Postal services Telecommunications			110
Others			118 618
			3,438
			4,724
			-1,724
4. Operating Income			
4. Operating moonle		1000 0000	
	A	1999–2000	T
		Not appropriated-in-aid	Total
	£000	£000	£000
Operating income analysed by classification and activity, is as follows:			
Administration income:			
Allowable within			
Admin cost	44.000		44.655
Licence fees Licence fees received in Advance	11,900 - 1 ,196	_	11,900
Publication sales	-1,190	35	-1,196 35
Miscellaneous	*******	11	11

Operating income not appropriated-in-aid (ie transferred to the Consolidated Fund) is analysed for resource budget purposes between that which is included in public expenditure and that which is not (see note 5). In 1999–2000, all operating income not classified as approriations-in-aid was within public expenditure.

10,704

46

10,750

5. Reconciliation of Net Operating Costs to Control Total and Net Resource Outturn

1999-2000

	0003
Net operating cost Operating income not classified as A-in-A	45 - 46
Net Resource Outturn	1

Net operating costs is the total of expenditure and income appearing in the operating cost statement (Schedule 2). Net resource outturn is the total of those elements of expenditure and income that are subject to parliamentary approval and included in the Department's Supply Estimate. The outturn against the Estimate is shown in the summary of resource outturn (Schedule 1).

6. Movement in Working Capital Other than Cash

1999-2000

	•	. -	£000
Decrease in debtors Decrease in creditors			17 615
Net (decrease) in working capital other than cash		- -	632

7(1) Tangible Fixed Assets

	Furniture Fixtures and Fittings	Office Machinery	Telecom- munications	IT Equipment	Total
,	£000	£000	£000	£000	£000
Cost or valuation					
At 1 April 1999	650	107	100	632	1,489
Additions	15	28	1	161	205
Disposals	_			-162	-162
Revaluation	8	1	2	-38	-27
At 31 March 2000	673	136	103	593	1,505
Depreciation					
At 1 April 1999	402	82	85	419	988
Charged in year	64	9	10	91	174
Disposals	_		_	-162	-162
Revaluation	5	1	1	-12	-5
At 31 March 2000	471	92	96	336	995
Net book value at 31 March 2000	202	44	7	257	510
Net book value at 31 March 1999	248	25	15	213	501

Tangible fixed assets have been revalued using indices supplied by the Office of National Statistics in the publication "Current Cost Accounting".

Assets originally purchased to the value of £225,642 were disposed of during 1999–2000. Those assets had a nil net book value for which £3,018 was received and credited to the Operating Cost Statement.

Notes to the Accounts (continued)

7(2) Intangible Fixed Assets

		Software licences
		£000
Cost or valuation		
As at 1 April 1999		81
Additions Revaluation		14 8
At 31 March 2000		87
Depreciation		
As at 1 April 1999		25
Charged in year At 31 March 2000		23
Net book value at 31 March 2000		48
Net book value at 31 March 1999		39
Net book value at 31 March 1999		56
Additions in the year total £218,923 with a creditor of £9,415 at 31 Marc additions £209,508.	h 2000 with cash ex	penditure on
8. Debtors	1999–2000	1998-99
	000 <u>1</u>	£000
Amounts falling due within one year:		
Trade debtors Other debtors—Payroll	5 450	17 389
Staff advances	15	11
Prepayments and accrued income	300	291
VAT	- 64	136
Amounts falling due after more than one year	834	844 7
	834	851
9. Cash at Bank and in Hand	1000 2000	1000 00
	1999–2000	1998–99
	£000	£000
Balance at 1 April	784	105
Net cash flow	310	690
Balance at 31 March	474	795
The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances are held at 31 March:		
		704
Balance at OPG	367	/94
Balance at OPG Commercial banks and cash in hand	367 107	794 1

	ie year			
	,	1	999–2000	1998–99
			£000	£000
Trade creditors			119	81
Other creditors: Payroll			_	460
Other			 46	28 55
Consolidated Fund (Publication Sales) Accruals and deferred income			1,214	58
Excess income payable to Consolidated Fund Other (Exchequer)			_	485 11
VAT			192	281
Supplementary Estimate repayable to Consolidated Fund Inland Revenue			13	500 13
			1,584	1,972
				
11. Provision for Liabilities and Charges			1999-2000	1998-99
	D G Pension commitments	Early Retirement	Total	Total
	£000	£000		£000
Balance at 1 April	293	175	468	441
Increase in provision Utilised within one year	1	10 -29	11 - 29	48 21
Balance at 31 March	294	156	450	468
12. Revaluation Reserve				
12. Novaldation resolve		1	999–2000	1998–99
			£000	£000
Balance at 1 April			83	72
Arising on revaluation during the year			4	11
Balance at 31 March			<u> </u>	83
The revaluation reserve reflects the unrealised eleme adjustment of tangible and intangible fixed assets.	ent of the cumulat	tive balance of	indexation and	revaluation
adjustment of tangible and intangible fixed assets.				revaluation
		General Fun	d	
adjustment of tangible and intangible fixed assets.		General Fun		1998–99
adjustment of tangible and intangible fixed assets.		General Fun	d	
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2)		General Fun	d 999–2000 <u>£000</u> 45	1998–99
13. Reconciliation of Net Operating Cost to		General Fun	d 999–2000 <u>£000</u>	1998–99 <u>£000</u> -17 -485
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2) 1998–99 CFER cash timing difference		General Fun	d 999–2000 <u>£000</u> 45 16 –46	1998–99 <u>£000</u> -17 -485 -55
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2) 1998–99 CFER cash timing difference Surplus A-in-As surrendered to the Consolidated Fund		General Fun	d 999–2000 <u>£000</u> 45 16	1998–99 <u>£000</u> -17 -485
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2) 1998–99 CFER cash timing difference Surplus A-in-As surrendered to the Consolidated Fund Other CFERs Token Vote Non-cash charges:		General Fun	d 999–2000 <u>£000</u> 45 16 — 46 — 15	1998–99
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2) 1998–99 CFER cash timing difference Surplus A-in-As surrendered to the Consolidated Fund Other CFERs Token Vote		General Fun	d 999–2000 <u>£000</u> 45 16 –46	1998–99 <u>£000</u> -17 -485 -55
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2) 1998–99 CFER cash timing difference Surplus A-in-As surrendered to the Consolidated Fund Other CFERs Token Vote Non-cash charges: Cost of capital charge (Note 3) Auditor's remuneration Net decrease in the General Fund		General Fun	d 999–2000 <u>f000</u> 45 16 -46 15	1998–99
13. Reconciliation of Net Operating Cost to Net operating cost for the year (Schedule 2) 1998–99 CFER cash timing difference Surplus A-in-As surrendered to the Consolidated Fund Other CFERs Token Vote Non-cash charges: Cost of capital charge (Note 3) Auditor's remuneration		General Fun	d 999–2000 <u>£000</u> 45 16 -46 15	1998–99 <u>£000</u> -17 -485 -55 -557

Notes to the Accounts (continued)

14. Related Party Transactions

Ofwat has had a small number of transactions with other government Departments and other central government bodies. Most of these transactions have been with the Department of Environment, Transport and the Regions in respect of accounting services. None of the senior management team or other related parties has undertaken any material transactions with Ofwat during the year.

15. Capital and Other Commitments

There were no capital or other commitments as at 31 March 2000.

16. Commitments Under Operating Leases

At 31 March 2000 the Department was committed to making the following payments in respect of operating leases expiring:

	Buildings	Other	Total
	£000	£000	£000
Within one year	951	69	1,020
Between two and five years	2,328	1	2,329
After five years	4,856	_	4,856
	8,135	70	8,205

17. Contingent Liabilities

There were no contingent liabilities at 31 March 2000.

18. Post Balance Sheet Events

There were no post balance sheet events.

Printed in the UK by The Stationery Office Limited
On behalf of the Controller of Her Majesty's Stationery Office
Dd 5069601 01/01 019585 Ord TJ003528







Published by The Stationery Office Limited

and available from:

The Stationery Office

(Mail, telephone and fax orders only)
PO Box 29, Norwich NR3 1GN
General enquiries 0870 600 5522
Order through the Parliamentary Hotline Lo-call 0845 7 023474
Fax orders 0870 600 5533
Email book.orders@theso.co.uk
Internet http://www.ukstate.com

The Stationery Office Bookshops

123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
68–69 Bull Street, Birmingham B4 6AD
0121 236 9696 Fax 0121 236 9699
33 Wine Street, Bristol BS1 2BQ
0117 9264306 Fax 0117 9294515
9–21 Princess Street, Manchester M60 8AS
0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
The Stationery Office Oriel Bookshop
18–19 High Street, Cardiff CF1 2BZ
029 2039 5548 Fax 029 2038 4347
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square London SW1A 2JX Telephone orders 020 7219 3890 General enquiries 020 7219 3890 Fax orders 020 7219 3866

Accredited Agents

(See Yellow Pages)

and through good booksellers

