

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

Consumer Council for Water

Annual Report and Accounts 2010-11

For the year ended 31 March 2011

Ordered by the House of Commons to be printed 23 June 2011

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Annual Report

Introduction

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

This annual report and accounts covers the period 1 April 2010 to 31 March 2011.

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

CCWater has an English regional and Welsh structure having offices in Cardiff, Cambridge, Birmingham, Darlington, Manchester, London, Bristol and Exeter. The headquarters of the organisation are in Birmingham and it has four committees in England and one in Wales.

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

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

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

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

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

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

Roles and Responsibilities

The membership of the Board as at 31 March 2011 was:

Council Chair	Dame Yve Buckland	Appointed: 1 April 2005	Re-Appointed: 1 April 2009	Term: 4 yrs
Chief Executive	Tony Smith	1 December 2005		open ended

English Regional Committees Chairs:

Central and Eastern	Sir James Perowne	1 December 2007	1 September 2008	Left- 30 September 2010
Central and Eastern	Dame Yve Buckland	1 October 2010		
Northern	Andrea Cook OBE	1 October 2005	1 July 2009	4 yrs
London and South East	David Bland OBE	1 December 2007	1 September 2008	4 yrs
Western	Charles Howeson	1 October 2005	1 July 2009	4 yrs

Wales Committee Chair:

Diane McCrea	1 October 2005	1 October 2009	4 yrs
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Independent Members:

Michael Barnes	1 November 2005	1 November 2009	4 yrs
Timothy Hornsby CBE	1 October 2005	1 July 2009	4 yrs
Colette Isaaks	1 September 2008		4 yrs
Narendra Makanji	1 November 2005	1 November 2009	4 yrs

Board Appointments

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

After serving five years with CCWater (and three years with WaterVoice) Sir James Perowne left on 1 October 2010. The organisation is currently under review and until CCWater's future is decided Council Chair, Dame Yve Buckland is covering the responsibilities of the Chair of Central and Eastern Committee Chair.

Executive Appointments

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

Board Directorships

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

Standing Committees

CCWater has three committees reporting directly to the Board:

- Audit and Risk Management Committee;

- Finance and Resources Committee; and
- Remuneration Committee.

The membership of the committees as at 31 March 2011 was:

Audit and Risk Management Committee

<u>Independent members</u>	<u>Regional / Wales Chairs</u>	<u>In attendance</u>
Michael Barnes – Chair Narendra Makanji	David Bland James Perowne (left 30 September 2010) Diane McCrea (from 1 October 2010)	Chief Executive & Accounting Officer Head of Corporate Services Board Secretary Finance and Resource Manager External Audit Representative(s) Internal Audit Representative(s)

Membership is reviewed and confirmed by the Board annually at the end of the financial year. The committee met four times in the period to 31 March 2011.

The role of the committee is to:

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

Finance and Resources Committee

<u>Independent members</u>	<u>Regional / Wales Chairs</u>	<u>In attendance</u>
Timothy Hornsby – Chair Colette Isaaks	Charles Howeson Diane McCrea	Chief Executive & Accounting Officer Head of Corporate Services Board Secretary Finance and Resource Manager

Membership is reviewed and confirmed by the Board annually at the end of each financial year. The committee met three times in the 12 month period to 31 March 2011.

The role of the committee is to:

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

Remuneration Committee

<u>Independent members</u>	<u>Regional Chairs</u>	<u>In attendance</u>
Narendra Makanji – Chair Colette Isaaks	Andrea Cook James Perowne (left 30 September 2010) Charles Howeson (from 1 October 2010)	Board Secretary Other individuals by invitation

Membership is reviewed and confirmed by the Board annually at the end of the financial year. The committee met three times in the 12 month period to 31 March 2011.

The role of the committee is to:

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

Pension Liabilities

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

Internal Audit

Internal audit services during 2010-11 were provided by KPMG. The service provided an independent appraisal service for management by measuring and auditing the adequacy, reliability and effectiveness of management and financial control systems. KPMG made recommendations based on the appraisal of each system reviewed; these included our Risk Management, Human Resources, Stakeholder relationships and financial systems. The cost of the internal audit for 2010-11 was £30,330.

External Audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the Water Industry Act 1991. The audit certificate is on pages 20 to 21. The cost of providing audit services in respect of the Annual Report and Accounts 2010-11 was £34,000. There was no external auditor remuneration for non-audit work.

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

Management Commentary

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

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

Development and Performance

Considerable effort went into the delivery of the organisation's Operational Business Plan during 2010-11 including follow up work the Price Review 2009 ensuring that the outcome was acceptable and affordable for customers.

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

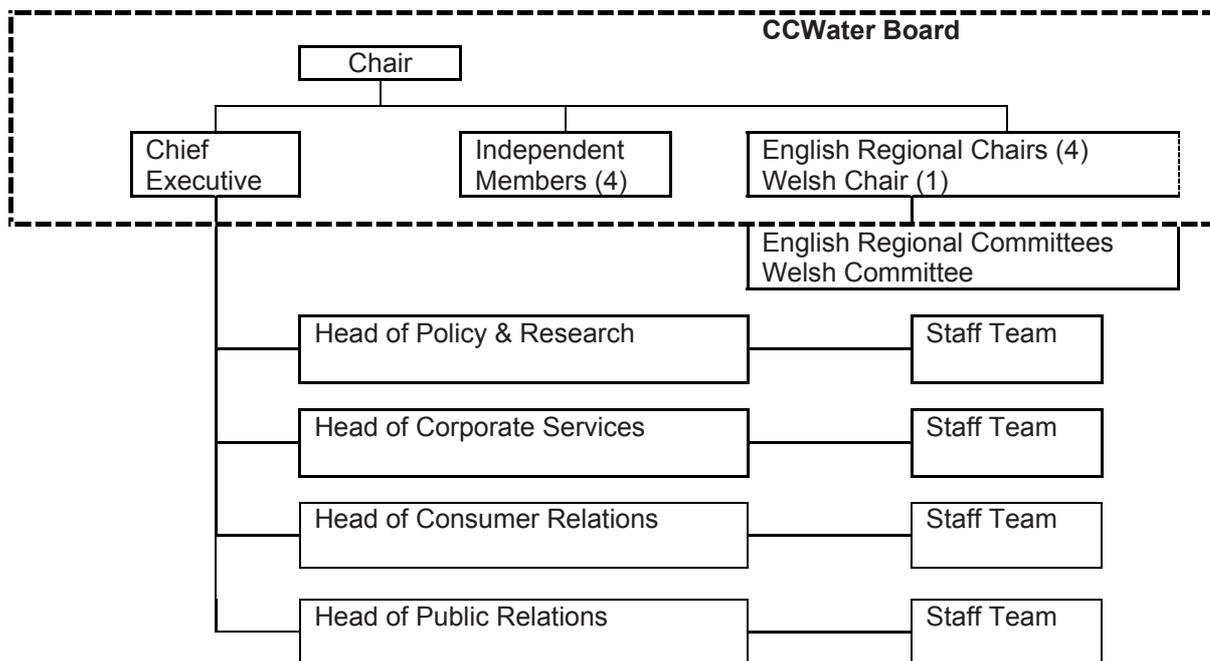
Since 2005, we have had a number of successes including:

- The price review result in November 2009 was over £1 billion or over £50 per customer better than the last price review in 2004 when CCWater was not around;
- An additional £2.3 million in compensation has been returned to customers in 2010-11 alone (nearly £12m since inception);
- Our performance for resolving complaints in our twenty days targets and customers' satisfaction with the speed and quality of our complaint handling has remained well above target. Details of our performance against complaint handling target are shown on page 7;
- An increase in take up of the WaterSure Tariff for vulnerable customers by 31 per cent this year, taking the total increase in take-up to 134 per cent over the last 3 years;
- We reduced our costs to water customers by 10 per cent and our staffing by 15 per cent. CCWater cost £5.3million, approx 23p a customer per annum, (Costs will reduce further to 21p per customer in 2011-12).

A full commentary on the achievements of the Consumer Council for Water for 2010-11 is published in our Annual Review. These documents are available on CCWater's website.

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

Figure1: Organisational Structure



Our performance on dealing with complaints about water companies is shown below:

Complaint Performance	2009-10		2010-11	
	Target	Achieved	Target	Achieved
5 day acknowledgement	99.0%	100.0%	99.5%	99.9%
20 day closure	75%	82%	76%	82%
40 day closure	89%	93%	90%	93%

Customer Satisfaction	2009-10		2010-11	
	Target	Achieved	Target	Achieved
Outcome	61%	59%	61%	62%
Speed	76%	82%	77%	82%
Service	64%	74%	65%	75%
Courtesy	82%	94%	90%	94%

Trends and Factors

During 2010-11, CCWater was required to provide specialised consumer advocacy and support in a wide number of areas, and continued to push consumers’ views to the heart of the way the water industry is managed and regulated.

Whilst the main focus of the water industry has been to implement the agreed outputs of the 2009 price determination, there has also been considerable early discussion and activity surrounding the possible structure of price setting mechanisms for the future. CCWater has ensured that consumers have had a strong voice from the start of these discussions, providing a report – ‘Lessons from PR09, Securing Sustainable Water Prices for the Future’ – which set out eight key recommendations on how the price setting system could

improve and better serve the consumer. The report conclusions were recognised by Ofwat and the sector. We then supplemented the report with early research to better understand consumers' willingness to be engaged.

We also contributed to the Governments' deliberation on the independent review of fair charging and metering (the Walker Review) by providing consumers' views and the work to inform expected government draft legislation. CCWater continued to advise governments departments, regulators and companies on the reality of the water affordability problems that customers are experiencing across England and Wales, and worked across the sector to help in identifying fair and realistic solutions. We provided intensive support in areas where customers were at risk of seeing negative effects from local compulsory metering schemes, successfully calling on companies to involve and consult their customers to find the most suitable pricing and charges. We raised awareness of how consumers could influence their own water use, providing advice on ways to save water and demonstrating where good water efficiency practice could also help lower the size of water and energy bills.

Following the Cave Review CCWater represented consumers' views in the many discussion papers and events on competition and innovation. We continued to provide strong representation for those business customers who wish to see competition develop further, whilst focusing on protecting the ineligible customers from any potential detriment. We used consumer research and business discussion forums to inform our activity and opinions, and this work will intensify as more business customers become eligible to enter the competitive market in England.

Environmental Matters

CCWater has a statutory requirement to address sustainable development and is committed to sustainability through the work it undertakes and how the organisation is managed. The organisation fulfills its duty by balancing the economic, environmental and social aspects in all that it does. CCWater seeks to ensure it adheres to both governments' guiding principles and key priorities in doing this.

CCWater is committed to recycling and currently recycles paper, glass, plastic and aluminum cans at all of its offices. The past financial year saw a 13 per cent reduction in electricity consumption across the organisation. We have reduced our photocopier usage by 8 per cent in the black & white copies for the year as compared to last financial year, and 1 per cent reduction for colour copies over the same period. We have also looked for ways to reduce the amount of travelling we do by making greater use of video and telephone conferencing facilities.

However CCWater makes a more significant impact by encouraging the water companies to adopt a more sustainable approach. In 2009-10 the water industry emitted 4.95 million tonnes of greenhouse gases, a small reduction on the 5.07 million tonnes emitted in 2008-09. The industry is committed to further reduce its emissions.

CCWater has discussed carbon emission reduction plans with companies, and is encouraging the water industry and its regulators to consider how to limit use of energy and carbon intensive treatment processes by, for example, using the cleansing power of the natural environment to treat rainwater (sustainable drainage systems), and development catchment management approaches to water resources (to tackle nitrate and pesticide pollution at source).

However, almost nine-tenths of the greenhouse gas emissions associated with water occur in the home, through hot water use – from baths and showers, household appliances and cooking. We are working with Waterwise, the Energy Savings Trust and water and energy companies to inform customers that reducing hot water use can help lessen our impact on the environment.

Social and Community Issues

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

During 2010-11:

- 31 per cent more customers took advantage of the WaterSure social tariff than last year. That takes the total increase in those protected through the scheme over the three years since CCWater's project to rebrand the scheme and introduce a standard simplified application form to 134 per cent.
- Social Tariff and Cross Subsidy Research undertaken and used to inform CCWater's work with government and companies. This confirmed that social tariffs funded through bills would be supported by customers in a limited way, but they wish to see contribution from government and water companies.
- CCWater responded to Government consultation on Surface Water Drainage concessionary charges for community groups supporting the use of a cost reflective site area based approach to charging non-household customers but explaining that water customers must be involved in decisions if they are to bear the costs.
- CCWater has again worked with water companies to increase by 14 per cent (to 134,606) the number of customers registered to receive the special services companies provide for those that need them, but especially disabled and elderly consumers.
- Continued to promote money saving tips to help customers save money on their water bills.

Future Development, Performance and Position

In 2011-12 CCWater will be undertaking work as outlined in the, now published, Operational Business Plan. To ensure performance and delivery is as efficient and effective as possible CCWater will continue the work progress reporting system— together with financial, planning, monitoring, control and reporting mechanisms.

In relation to 2010-11, the main risk identified is the uncertainty and potential impact on our ability to influence partners to bring about change that will benefit water customers due to the review regarding CCWater's future.

Defra/Welsh Assembly Review of Ofwat

CCWater is part of the Defra/Welsh Assembly review of Ofwat. The review headed by David Gray, is looking at how Ofwat operates overall and will cover CCWater when examining consumer protection and representation in water. CCWater has met with the review team to discuss how CCWater discharges its statutory responsibilities and has provided evidence and financial information. The review is due to report in June 2011.

Arms Length Bodies Review

CCWater is also subject to government's review of Arms Length Bodies (ALB). The Public Bodies Bill which is currently being considered by Parliament will allow the Government to make the changes to the number and responsibilities of ALBs. CCWater is listed in the Public Bodies Bill as an organisation which may be subject to change.

We continue to manage the uncertainties around whether CCWater will continue in its current format. Until both Governments announces their decision on consumer representation, including that of CCWater, we will continue to look for ways to improve our services to water customers whilst keeping our costs to them as low as possible.

Managing Risks

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

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

- the organisation does not fully deliver its Forward Work Programme;
- the risks that CCWater's uncertain future undermines our ability to deliver its Forward Work Programme;
- the risks that there is a loss of key staff as a result of the reviews.

Support Services

CCWater looks for value for money in all its activities. During 2010-11, KPMG our internal auditors, confirmed that we were correctly applying the Government's new spending controls.

Since April 2010 with the exception of our ICT and payroll all support services have been provided in-house. IT Infrastructure is provided under an Information Communications Technology infrastructure agreement with Northgate Information Systems. CCWater's web-based complaints management system was provided by RightNow Technologies and our website and intranet are hosted by Evolve/ Box UK.

During the year we have looked for opportunities for sharing support services with Consumer Focus. However following the announcement that Consumer Focus responsibilities are to be transferred to Citizens Advice this is on hold. We have continued to provide Consumer Focus with procurement support.

Financial Commentary

The main financial highlights are summarised below:

Operating costs summary	2010-11	2009-10
	£000s	£000s
Income		
Operating Income	<u>26</u>	<u>54</u>
	26	54
Expenditure		
Operating costs	<u>5,307</u>	<u>6,236</u>
Net Operating Costs	<u>5,281</u>	<u>6,182</u>

The budget for CCWater during 2010-11 was set at £6.144m. We manage this by delegating the budget to individual budget holders, based on Forward Work Programme activities. Expenditure is monitored against budget on a monthly basis with formal quarterly budget holders meetings. During 2010/11 CCWater has looked for new and smarter ways of achieving our FWP objectives. For example by working with others and more targeted research work. Where staff have left we have re-prioritising workloads rather than making new appointments. We have sought out alternative suppliers and different delivery methods. This along with other activities has resulted in reducing our costs by approximately £830k.

Equal Opportunities Policy

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 and our recruitment activity is subject to audit by the Civil Service Commissioners to ensure that we comply with the guidance set out in its recruitment code.

At the end of the financial year:

- 56 per cent of all staff were women;
- 20 per cent of the Senior Management Team were women;
- 12 per cent of staff declared to be of ethnic minority origin and
- 1 per cent of staff declared a disability.

Payment of Suppliers

We achieved 99 per cent against the government target for paying agreed invoices within 30 days of receipt during 2010-11. The corresponding figure for 2009-10 was 99 per cent.

In October 2008, Government set a new challenge to pay all suppliers within 10 working days with effect from 1 December 2008. During 2010-11 CCWater paid 90 per cent of undisputed bills within this deadline.

The corresponding figure for 2009-10 was 79 per cent. Terms are agreed with each supplier individually (generally over 30 days) with a view to make payment within the government target of 10 days. Creditors days is 2.6 days at 31 March 2011 compared to 4.7 days at 31 March 2010.

Going Concern

The accounts for 2010-11 have been prepared on a going concern basis. Defra and the Welsh Assembly Government has agreed CCWater's 2011-12 budget and there is no reason to believe that future approvals will not be forthcoming.

Sickness Absences

CCWater encourages a culture where good attendance is expected and valued. However it recognises that from time to time absences for medical reasons may be unavoidable. CCWater aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and attend work regularly. CCWater has an occupational health service and an employee assistance counselling service. CCWater continues to review its occupational health policies and practices to ensure that sickness absence remains at low levels.

During 2010-11, excluding long term absences the percentage or working days lost was 4.7 days per annum per employee compared to 3.33 days for 2009-10. Although this is an increase on last year it compares well to the CIPD public sector absence sick average of 8.7 days and the private sector 7.7 days.

Employee Involvement

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

Health and Safety

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

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

Personal Data

CCWater's data security policy aims to ensure that all official information is safeguarded and kept securely. There were no protected personal data related incidents that required reporting to the Information Commissioner's Office in 2010-11.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water
7 June 2011

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

Remuneration Report

Senior Management Team

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

Tony Smith	Chief Executive
Nick Ellins	Deputy Chief Executive until 31 March 2011 & Head of Policy & Strategy until 1 December 2010
Deryck Hall	Acting Head of Policy and Research from 1 December 2010
Jane Morris	Acting Head of Corporate Services with responsibility for strategy from 1 December 2010
Carl Pegg	Head of Consumer Relations
Dave Thompson	Head of Public Relations

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

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

Nick Ellins secondment from Water UK, was due to expire in December 2010 but was extended for a further three months to 31 March 2011.

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

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

Staff Remuneration

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

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

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

There has been no civil service and other compensation schemes -exit packages awarded to staff during the year.

Pension Liabilities

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

The following information was subject to audit.

Remuneration of Senior Managers

Disclosure of Salary Information 12 months ended 31 March 2011:

Name	2010-11		2009-10	
	Salary including performance pay £000	Benefits in kind (to nearest £100)	Salary including performance pay £000	Benefits in kind (to nearest £100)
Tony Smith Chief Executive	110-115	-	115-120	-
Deryck Hall Acting Head of Policy & Research	15-20 (full year equivalent 55-60)	-	-	-
Jane Morris Acting Head of Corporate Services	55-60 (full year equivalent 60-65)	-	50-55	-
Carl Pegg Head of Consumer Relations	55-60	-	50-55	-
Dave Thompson Head of Public Relations	45-50	-	45-50	-
	280-285	-	260-265	-

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

Salary

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

During 2010-11 the Chief Executive received a performance bonus of £10,750 based on the achievement of performance targets for 2009-10. (During 2009-10 the bonus was £15,000 based on the achievement of performance targets for 2008-09).

Benefits in Kind

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

Remuneration of Board Members

	2010-11	2009-10
	Salary	Salary
	£000	£000
Dame Yve Buckland (Chair)	45-50	45-50
David Bland	35-40	35-40
Andrea Cook	35-40	35-40
Charles Howeson	35-40	35-40
Diane McCrea	35-40	35-40
Sir James Perowne – left 30 September 2010	15-20*	35-40
Michael Barnes	5-10	5-10
Colette Isaaks	5-10	5-10
Timothy Hornsby	5-10	5-10
Narendra Makanji	5-10	5-10

* £35-40(full year equivalent)

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

Board member posts are non- pensionable.

Senior Managers Disclosure of Pension Information 12 months ended 31 March 2011

Name	Real increase in Pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 2011 and related lump sum	CETV at 31 March 2011	CETV at 31 March 2010*	Real increase in CETV funded by employer
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Tony Smith - Chief Executive	0-2.5	20-25	348	291	13
Deryck Hall – Acting Head of Policy & Research	0-2.5 Lump sum 2.5-5	15-20 Lump sum 55-60	347	298	29
Jane Morris - Acting Head of Corporate Services	0-2.5 Lump sum 2.5-5	20-25 Lump sum 70-75	430	362	17
Carl Pegg - Head of Consumer Relations	0-2.5	25-30	354	301	7
Dave Thompson - Head of Public Relations	0-2.5	0-5	43	28	9

*The figures are different from the closing figure in last year's accounts. This is mainly due to account for the change from the use of Retail Price Index (RPI) to Consumer Price Index (CPI) as the measure used to uprate Civil Service pensions.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost

of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

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

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water
7 June 2011

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 2010 to 31 March 2011.

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

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

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

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

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

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

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

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

Statement on Internal Control

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

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

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in CCWater for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

CCWater Risk Management Strategy (February 2006 revised June 2010) sets out four key objectives for the organisation:

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

The Executive Team reviews the strategic risks facing CCWater every two months and each individual member of the Executive Team and the Chairman of each Board sub-committee has signed their own annual Statement on Internal Control relating to their specific responsibilities.

In order to ensure that risk management was embedded within the day-to-day activity, CCWater implemented a monthly and quarterly reporting cycle across all projects and work areas. The regular monitoring of performance and risk exposure ensures that decisions are made at the most appropriate level within the organisation, or that they are escalated to an appropriate higher authority for resolution. During 2010-11 staff received Risk Management training.

The risk and control framework

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

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

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

Capability - that achieved objectives and maintained financial control were established through rigorous budget setting and resource management processes as well as the implementation of a work prioritisation process, embedded within the operational business plan, which was used to agree resource limits and specifications at the outset of work. A key risk for CCWater is that of key personnel leaving or being 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.

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

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

Government Spending and Transparency Controls - in response to the Government's restrictions on spending and transparency CCWater put in place controls to ensure compliance and that staff were knowledgeable about the restrictions. These controls were subject to internal audit and were rated as good.

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

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

Review of Effectiveness

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

CCWater's internal auditors undertake a work programme approved by me to review risk management, internal control and governance. The Head of Internal Audit produces periodic reports on Internal Audit's findings, their assessment of risk management, corporate governance and control standards in the key corporate risks and

delivery areas, and areas where action is required to address shortcomings. I meet with the Head of Internal Audit quarterly to discuss his reports and consider progress in addressing major concerns. He also prepares an annual report which includes his professional opinion on the effectiveness of the overall systems of internal control and risk management within CCWater. Of the four areas considered during 2010-11 by Internal Audit: Sickness Monitoring, Statutory Returns and Logica Pay Management, Key Financial Systems & the Westminster Government Spending Restrictions and Risk Management were considered good with Stakeholder and Reputations Management being satisfactory.

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

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

7 June 2011

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 Consumer Council for Water for the year ended 31 March 2011 under the Water Industry Act 1991. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Water Industry Act 1991. 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 Consumer Council for Water's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Consumer Council for Water's affairs as at 31 March 2011 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Water Industry Act 1991 and the Secretary of State for the Environment, Food and Rural Affairs directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

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

9 June 2011

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2011

	Note	2010-11	2009-10
		<u>£000s</u>	<u>£000s</u>
Expenditure			
Staff costs	2.1	3,215	3,482
Depreciation	3	36	73
Other Expenditures	3	2,056	2,681
		<u>5,307</u>	<u>6,236</u>
Income			
Other Income	4	26	54
		<u>26</u>	<u>54</u>
Net Expenditure		(5,281)	(6,182)
Total Comprehensive Expenditure for the financial year		<u>(5,281)</u>	<u>(6,182)</u>

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

There is no other comprehensive expenditure.

Statement of Financial Position

for the year ended 31 March 2011

	Note	31-Mar 2011 £000s	31-Mar 2010 £000s
Non-current assets:			
Property, plant and equipment	5	103	139
Intangible assets	6	41	72
Trade and other receivables	7	-	2
Total non-current assets		144	213
Current assets:			
Other current assets	7	205	260
Cash and cash equivalents	8	1,367	961
Total current assets		1,572	1,221
Total assets		1,716	1,434
Current liabilities			
Trade and other payables	9	(303)	(459)
Total current liabilities		(303)	(459)
Non-current assets plus current assets		1,413	975
Non-current liabilities			
Provisions	10	(95)	-
Early departure	10	(38)	(86)
Trade and other payables	9	(94)	(122)
Total non-current liabilities		(227)	(208)
Assets less liabilities		1,186	767
Taxpayers' equity			
General reserve		1,186	767
		1,186	767

The financial statements on pages 21 to 24 were approved by the Board on 7 June 2011 and were signed on its behalf by;

Tony Smith

Chief Executive and Accounting Officer

7 June 2011

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

Statement of Cash Flows

for the year ended 31 March 2011

	Note	2010-11	2009-10
		<u>£000s</u>	<u>£000s</u>
Cash flows from operating activities			
Net Deficit after cost of capital and interest		(5,281)	(6,182)
Adjustments for cost of capital charge	3	166	165
(Increase)/Decrease in trade and other receivables	7	57	14
Increase/(Decrease) in trade payables	9	(184)	(45)
Use of provisions	10	(52)	(51)
Net cash outflow from operating activities		<u>(5,294)</u>	<u>(6,099)</u>
Cash flows from investing activities			
Purchase of intangible assets		-	(37)
Purchase of Property, plant and equipment		-	-
Net cash outflow from investing activities		<u>-</u>	<u>(37)</u>
Cash flows from financing activities			
Grants from parent department		5,700	6,342
Grants from parent department for prior year		-	(1,080)
Net financing		<u>5,700</u>	<u>5,262</u>
Net Increase/(Decrease) in cash and cash equivalents in the period		406	(874)
Cash and cash equivalents at the beginning of the period	8	961	1,835
Cash and cash equivalents at the end of the period	8	<u>1,367</u>	<u>961</u>

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

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2011

	<u>Revaluation Reserve</u> £000s	<u>I & E Reserve</u> £000s	<u>Total Reserves</u> £000s
Balance at 31 March 2009	10	1,677	1,687
Changes in Taxpayers' Equity for 2009-10			
Grant from Parent	-	5,262	5,262
Transfers between reserves	(10)	10	-
<i>Total recognised Income and expense for 2009-10</i>	-	(6,182)	(6,182)
Balance at 31 March 2010	<u>-</u>	<u>767</u>	<u>767</u>
Changes in taxpayers' equity for 2010-11			
Grant from Parent	-	5,700	5,700
Transfers between reserves	-	-	-
<i>Total recognised Income and expense for 2010-11</i>	-	(5,281)	(5,281)
Balance at 31 March 2011	<u>-</u>	<u>1,186</u>	<u>1,186</u>

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

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2010-11 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Consumer Council for Water for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Consumer Council for Water are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Property, plant and equipment

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

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

1.3 Depreciation

Depreciation is provided at rates calculated to write-off the value of tangible non current assets by equal 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 to 5 years
Office machinery and Telecoms	5 years
Leasehold improvements	Life of the lease

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

1.4 Leases

CCWater had no finance leases as at 31 March 2011 (31 March 2010: nil). Rentals due under operating leases are charged over the lease term on a straight-line basis or on the basis of actual rental payable where this fairly reflects usage.

1.5 Grants receivables

CCWater is financed by grant in aid from Defra and the Welsh Assembly Government and is accounted for as it is received. The grant in aid received is used to finance activities and expenditure which support the statutory and other objectives of the organisation and is treated as financing, which is credited to the 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 (currently 3.2 per cent).

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 which have been reported to Parliament in accordance with the requirements of Government Accounting.

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

1.9 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 we are unable to identify our share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

2 Staff numbers and related costs

2.1 Staff costs comprise:

	2010-11			2009-10
	Total	Permanently employed staff	Others	Total
	£000s	£000s	£000s	£000s
Wages and salaries	2,661	2,328	333	2,903
Social security costs	186	185	1	197
Other pension costs	368	368	-	382
Total net costs*	<u>3,215</u>	<u>2,881</u>	<u>334</u>	<u>3,482</u>

*Of the total no charge has been made to capital

2.2 Average numbers of persons employed

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

Number	2010-11	2009-10
Directly Employed	<u>75</u>	<u>86</u>
*Others	<u>-</u>	<u>2</u>
Total	<u>75</u>	<u>88</u>

*This includes temporary staff.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but CCWater is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued

the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Salary

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

Pension

For 2010-11, employers’ contributions of £368,366 were payable to the PCSPS (2009-10 £381,531) at one of four rates in the range 16.7 per cent to 24.3 per cent of pensionable pay, based on salary bands. £52k (2009-10 £51k) was payable in early retirement benefits during the year. 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 2010-11 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 £10,948 (2009-10 £11,720) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 per cent to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £805 (2009-10 £880), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £918 (2009-10 £882). Contributions prepaid at that date were nil.

There was no compensation scheme payments in year.

3 Other Expenditure

	2010-11		2009-10	
	<u>£000s</u>		<u>£000s</u>	<u>£000s</u>
Running Costs				
Rentals under operating leases:				
Accommodation	586		562	
IT software	259		295	
Office equipment	<u>8</u>		<u>9</u>	
		853		866
Non cash items:				
Depreciation	36		73	
Amortisation	31		22	
(Profit)/Loss on disposal of assets	-		62	
Early retirement provision provided in year	2		5	
Office relocation provision	95		-	
Unwinding of discount	2		3	
Permanent diminution of assets	<u>-</u>		<u>-</u>	
		166		165

Other expenditure:

Consultancy services	209	565
Training	37	68
Travel and subsistence	132	205
Rates	158	148
Support service costs	-	83
Hire and maintenance	71	35
Seminars, meetings and conferences	26	47
Publications, books & periodicals	93	100
Postal services and couriers	9	18
Telecommunications	54	56
Auditors' remuneration*	34	41
Other accommodation costs	156	180
Recruitment costs	-	16
Website	16	24
Other	78	137
	1,073	1,723
	2 092	2 754

* Audit remuneration work for 2009-10 included £4,000 for the audit of CCWater's IFRS shadow accounts, there was no remuneration for non-audit work.

4 Income

	2010-11	2009-10
	£000s	£000s
Other Income	18	18
SLA Income	8	36
Total	26	54

Other income is derived from sub-letting parts of the Bristol offices and during 2009-10 a SLA with Consumer Focus was entered into for the provision of procurement services till December 2010.

5 Property, plant and equipment

	Furniture fixtures and fittings	Office machinery	Leasehold works	IT equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost or valuation					
At 1 April 2010	-	-	313	41	354
Additions	-	-	-	-	-
Disposals	-	-	(9)	-	(9)
Revaluations	-	-	-	-	-
At 31 March 2011	-	-	304	41	345
Depreciation					
At 1 April 2010	-	-	177	38	215
Charged in year	-	-	35	1	36
Disposals	-	-	(9)	-	(9)
Revaluations	-	-	-	-	-
At 31 March 2011	-	-	203	39	242
Net book value at 31 March 2011	-	-	101	2	103
Net book value at 31 March 2010	-	-	136	3	139
	Furniture fixtures and fittings	Office machinery	Leasehold works	IT equipment	Total
	£000s	£000s	£000s	£000s	£000s
Cost or valuation					
At 1 April 2009	123	38	313	52	526
Additions	-	-	-	-	-
Disposals	(123)	(38)	-	(11)	(172)
Revaluations	-	-	-	-	-
At 31 March 2010	-	-	313	41	354
Depreciation					
At 1 April 2009	79	33	111	31	254
Charged in year	-	-	66	7	73
Disposals	(79)	(33)	-	-	(112)
Revaluations	-	-	-	-	-
At 31 March 2010	-	-	177	38	215
Net book value at 31 March 2010	-	-	136	3	139
Net book value at 31 March 2009	44	5	202	21	272

All assets were owned.

6 Intangible assets

Intangible assets comprise of software licences

	Total £000s
Cost or valuation	
At 1 April 2010	152
Additions	-
Disposals	-
Revaluation	-
At 31 March 2011	152
Amortisation	
At 1 April 2010	80
Charged in year	31
Disposals	-
Revaluation	-
At 31 March 2011	111
Net book value at 31 March 2011	41
Net book value at 1 April 2010	72
Cost or valuation	
At 1 April 2009	119
Additions	37
Disposals	(4)
Revaluation	-
At 31 March 2010	152
Amortisation	
At 1 April 2009	60
Charged in year	22
Disposals	(2)
Revaluation	-
At 31 March 2010	80
Net book value at 31 March 2010	72
Net book value at 1 April 2009	59

7 Trade receivables and other current assets

	2010-11	2009-10
	<u>£000s</u>	<u>£000s</u>
Amounts falling due within one year:		
Trade receivables	-	16
Advances*	6	6
Prepayments and accrued income	199	238
	<u>205</u>	<u>260</u>
Amounts falling due after more than one		
Prepayments and accrued income	-	2
	<u>-</u>	<u>2</u>

*Advances comprise of 12 travel season ticket

7.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11	2009-10	2010-11	2009-10
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Balance with other central government bodies	-	9	-	-
Balance with local authorities	13	13	-	-
Subtotal: intra-government balances	13	22	-	-
Balances with bodies external to government	192	238	-	2
Total debtors at 31 March	<u>205</u>	<u>260</u>	<u>-</u>	<u>2</u>

8 Cash and cash equivalents

	2010-11	2009-10
	<u>£000s</u>	<u>£000s</u>
Balance at 1 April	961	1,835
Net change in cash and cash equivalent balances	406	(874)
Balance at 31 March	<u>1,367</u>	<u>961</u>
The following balances at 31 March were held at :		
Government Banking Services	1,367	961
Commercial banks and cash in hand	-	-
Balance at 31 March	<u>1,367</u>	<u>961</u>

9 Trade payables and other current liabilities

	2010-11	2009-10
	<u>£000s</u>	<u>£000s</u>
Amounts falling due within one year:		
Trade payables	15	35
Accruals*	187	315
Other tax and social security	66	73
Other payables	35	36
	<u>303</u>	<u>459</u>
Amounts falling due after more than one		
Accruals*	94	122
	<u>94</u>	<u>122</u>

*Within accruals £123k (2009-10 £151k) relates to rent free premises for Victoria Square House of which £94k relates to falling due after one year.

9.1 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2010-11	2009-10	2010-11	2009-10
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Balance with other central government bodies	74	103	-	-
Balance with local authorities	-	-	-	-
Subtotal: intra-government balances	<u>74</u>	<u>103</u>	<u>-</u>	<u>-</u>
Balances with bodies external to government	229	356	94	122
Total creditors at 31 March	<u>303</u>	<u>459</u>	<u>94</u>	<u>122</u>

10 Provisions for liabilities and charges

	<u>£000s</u>
Balance at 1 April 2010	-
Provided in year	95
Provision not required written back	-
Provision utilised in year	-
Unwinding of discount	-
Balance at 31 March 2011	<u>95</u>

Provision provided for office relocation costs, which will mainly fall in 2011/12.

10.1 Early departure costs

	<u>£000s</u>
Balance at 1 April 2010	86
Provided in year	2
Provision not required written back	-
Provision utilised in year	(52)
Unwinding of discount	2
Balance at 31 March 2011	<u>38</u>

Analysis of expected timing of discounted cash flows

	£000s
Not later than one year	18
Later than one year and not later than five years	20
Later than five years	-
Balance at 31 March 2011	38

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

Analysis of expected timing of discounted cash flows

	£000s
Not later than one year	50
Later than one year and not later than five years	36
Later than five years	-
Balance at 31 March 2010	86

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

11 Capital commitments

	2010-11	2009-10
	£000s	£000s
Contracted capital commitments at 31 March for which no provision has been made	-	-

12 Commitments under leases

Operating leases

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

	2010-11	2009-10
	<u>£000s</u>	<u>£000s</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	673	517
Later than one year and not later than five years	1,535	1,644
Later than five years	-	133
	<u>2,208</u>	<u>2,294</u>
Other:		
Not later than one year	81	181
Later than one year and not later than five years	-	75
Later than five years	-	-
	<u>81</u>	<u>256</u>

CCWater has a sub lease with Consumer Focus which is a non cancellable contract and expires in December 2014, £67k is receivable until the lease expires.

13 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities as at 31 March 2011.

14 Losses and special payments

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

15 Events after the reporting period

There were no reportable events after the reporting period.

16 Financial instruments

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

17 Related Party Transactions

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

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

CCWater sublets parts of the Bristol offices to Consumer Focus and receives rental income; during 2010-11 £18k was received.

CCWater provides procurement services to Consumer Focus. The income during 2010-11 was £8k.

CCWater has a Memorandum of Terms of Occupation (MOTO) agreement for the Wales Office with Department for Works and Pensions; at year end there was a creditor of £2k.

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



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