
Consumer Council for Water

Annual Report and Accounts 2017-18

For the year ended 31 March 2018

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PERFORMANCE REPORT

Chief Executive's Statement

The Consumer Council for Water (CCWater) has continued to provide a strong and influential voice for water consumers and has worked hard to secure the best possible outcomes on their behalf. Some of our key achievements in 2017-18 are highlighted below.

Our activity in the past year has taken place against a backdrop of increased levels of scrutiny around the legitimacy of the water industry, the value for money it delivers and the model through which the interests of water consumers might best be served in the future. CCWater remains committed to full participation in this wider conversation, with the ultimate goal of achieving the best outcomes for all water consumers, present and future.

Looking back over the past 12 months, the launch of the non-household retail market in April 2017 represented the most significant change to the industry since privatisation in 1989, and CCWater has been pleased to see many business customers benefit from being able to switch retailer or negotiate a better deal.

Despite the encouraging start, there are still improvements to be made, with a small number of retailers experiencing significant increases in complaints, a factor which must be urgently addressed if confidence in the market is to continue to grow. CCWater has been challenging poor performing retailers, putting pressure on them to resolve the root causes of customer complaints. We are pleased to have seen some early signs of improvement as we move into a new financial year. In addition, more support needs to be given to small and medium-sized businesses in the coming year to raise awareness of the market and the potential benefits.

Looking to the future and preparing for emerging challenges has been a key focus of CCWater's activity over the past year. We have continued to influence a number of major activities and our work will have long-lasting implications for water consumers across England and Wales. Representing the interests of customers during the 2019 Price Review (PR19) has moved up a gear, with work now in progress to ensure the needs of consumers are considered at every stage of this process.

One early success for CCWater on the PR19 process came in December 2017, when Ofwat announced its lowest ever assumption on the cost of capital, to be incorporated into PR19. This decision came after CCWater had repeated its call for the regulator to get tougher on water companies' financing costs and ensure shareholders did not continue to make generous returns at the expense of customers. We also shared with Ofwat our independent research which put forward a compelling case for setting the lowest cost of capital since privatisation. Ofwat's final assumption fell within the range recommended in our report.

The average starting point for customers' bills in the 2020-25 period is estimated to be around an average £15-25 lower than they would otherwise have been, thanks to the lower cost of capital resulting from this work. In addition, CCWater successfully influenced Ofwat's final methodology to include requirements in PR19 for water companies to make provision for financially vulnerable consumers, and test customer acceptance of regulatory incentives to ensure that they are only included in company business plans when they are seen as legitimate.

Looking ahead to the next financial year, CCWater will continue to influence key milestones in the price review process as part of its overarching mission to ensure that future pricing and investment reflects true value for money for bill-payers.

Affordability remains a pressing concern for many consumers and CCWater. Our research suggests that at least three million households feel their water bills are not affordable, and that's why we have continued to work with water companies to expand the help available and increase awareness of this assistance. In early 2017-18, CCWater helped to ensure that the last two companies introduced social tariffs, which can substantially reduce the bills of low-income households. Latest figures from 2017-18 show that, thanks to our efforts to raise awareness, around 333,000 households were receiving help from company social tariff schemes.

CCWater's online tools have also continued to provide significant assistance to vulnerable customers in the past 12 months. Our Social Tariff Guide has helped over 30,000 customers and advisors to identify what help is available to them, while our water meter calculator has generated potential customer savings of over £14.5 million since April 2017. In addition to this, our Benefits Calculator has helped 3,454 users identify a total of £9.3m in potential benefit entitlements during the 2017-18 period.

In addition to holding water companies accountable for delivering value for money, CCWater applies the same high standards to its own operations. On average, CCWater's own cost increases have remained below the retail price index (RPI) for the past ten years. We have continued to run our operations at a cost of just 21p per bill payer for the seventh consecutive year.

In 2017, we also updated our organisational aim and strategic priorities to reflect a greater emphasis on a long-term view, while continuing to reflect what we know to be consumers' priorities. Among our revised strategic priorities are pledges relating to affordability, reliability and accessibility, plus a commitment to informing and engaging all consumers and making their voices heard to key stakeholders and decision-makers.

Our campaigning and quick response to unfolding events has enabled us to secure unprecedented media coverage for CCWater and its consumer advice, with a total potential audience reach of more than 218 million. We have become the 'go to' commentator on water consumer issues for national media outlets including BBC TV and radio, ITV and the Financial Times.

Reaching out to a wider consumer demographic has driven the expansion of our social media activity in 2017-18, with the introduction of Instagram as a new channel through which we can interact with consumers. Meanwhile, we continued to drive engagement through our established channels, with our Twitter following increasing by 28% year-on-year.

One particular issue on which CCWater responded quickly, publicly and decisively was that of the loss of water supply in many areas following the sudden freeze / thaw in March 2018. We pushed companies to go beyond Guaranteed Standards Scheme (GSS) levels, given the scale of disruption and inconvenience caused to consumers. This action resulted in companies paying up to £150 per customer, significantly higher than the £20 minimum under GSS.

We look forward to maintaining a strong industry presence in the coming year, to ensure that the decisions we're influencing today do not disadvantage the water consumers of tomorrow.

Tony Smith
Chief Executive
5 June 2018

Statement of purpose, objectives and activities of CCWater

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

- the development and performance of the business of CCWater during the financial year;
- the main trends and factors underlying the development, performance and position of the business of CCWater during the financial year; and
- the main trends and factors that are likely to affect CCWater's future development, performance and position, including the risks and uncertainties facing us.

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

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

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

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

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

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

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

Alignment with UK Government and Welsh Government strategies

CCWater's activities in 2017-18 were aligned with the strategies set out by both Defra and the Welsh Government. Defra's strategy¹ sets out a shared vision and set of strategic objectives for the whole of Defra for the period up to 2020. Defra's goals are focused on four impact objectives, which explain its ambitious, long-term aims, and the positive differences it will make to the UK. It also has one delivery objective and two organisational objectives. CCWater's work during 2017-18 was aligned directly to five of Defra's strategic objectives as follows:

About Defra's strategy

Impact objectives

- 1. Environment** (A cleaner, healthier environment, benefiting people and the economy).

Aim: Cleaner water and sustainable usage.

CCWater activity: We continued to work with Defra, Welsh Government, regulators and water companies on building long-term resilience in the water sector and promoting water efficiency among consumers.

- 2. Protection** (A nation better protected against flooding, animal and plant disease and other hazards, with strong response and recovery capabilities).

Aim: Enhance resilience of business and individuals to drought and loss of water supply.

CCWater activity: We continued to build our profile as a source of reliable and practical advice for consumers during loss of water supply and on water efficiency. Working with stakeholders, including co-sponsoring Water Saving Week during March 2018, we raised awareness of water-saving advice through our website and social media. We also challenged water companies on their leakage performance and supported consumers affected by sewer flooding.

Delivery objective

- 3. Excellent delivery, on time and to budget, and with outstanding value for money**

CCWater activity: By delivering savings each year, we have been able to set our licence fee at £5.24m, an increase of £110k (2%) and still costing each bill payer just 21p per year. This is the first increase since 2010 and in 2017/18 our licence fee was £2.6m lower than if we had applied RPI inflation in each year since we were founded in 2005.

Organisational objectives

- 4. An outstanding organisation** (An organisation continually striving to be the best, focused on outcomes and constantly challenging itself).

CCWater activity: In 2017-18 we handled over 18,800 complaints and enquiries from customers about their water companies. We met or beat our targets for the year for complaint acknowledgement and closure times, and for customer satisfaction with the outcome of their complaint. We pressed the water industry to improve key outcomes for customers. This was reflected in 73% of customers being satisfied with value for money of water services in 2016.. Satisfaction with value for money of sewerage services was 76% in 2016.

- 5. Our people** (An inclusive, professional workforce where leaders recognise the contribution of people, and build capability to deliver better outcomes).

CCWater activity: Our employee survey (independently conducted by ACAS in January 2018) resulted in a response rate of 96%, compared to 86% last year. This is the highest response rate that has been received to our annual survey. Our results still compare well with other civil service departments and more broadly the benchmark of the CIPD. However there has been a decline since last year in satisfaction across a range of areas, notably; pay, promotion, workloads and communication. The Executive Team is keen to arrest this decline by significantly ramping up engagement activities. An action plan has been drawn up and, additionally, members of the Executive Team will be talking with people to understand and explore the underlying issues and address the concerns that have led to this downturn in survey results.

¹ Defra's Strategy to 2020 (February 2016): www.gov.uk/government/publications/defras-strategy-to-2020-creating-a-great-place-for-living

In late 2017, Defra issued strategic priorities for Ofwat, which allowed us to refocus our priorities towards several of their objectives, including securing long-term resilience in water and waste water needs, protecting vulnerable customers and small businesses and making the markets work within the sector.

About the Welsh Government Strategy

In Wales, we worked closely with the Welsh Government in 2017/18 to ensure that we played our part in helping it to deliver the goals of the Well-being and Future Generations Act and the Environment (Wales) Act, and its accompanying policies. Additionally, the Welsh Government's Water Strategy for Wales, which was published in May 2015 and outlines an action plan for water resources and water and sewerage services, provided the context for our work in Wales.

Our work in Wales during 2017/18 was therefore particularly focused on the following activities:

- Leading on advice on affordable water bills and debt management.
- Working with Welsh Government and others on its plan to develop consistent messages on:
 - Water debt management.
 - Water efficiency.
 - How consumers can engage with their water company.
- Ensuring good quality information is available to business customers about who is eligible to participate in the retail market, particularly for those customers in cross-border areas.
- Working closely with Welsh Government and others to help:
 - Monitor the effectiveness of social tariffs.
 - Monitor the costs and benefits of market reform to inform future policy.
 - Understand the cost and benefits of transferring ownership of privately owned water supply pipes to water companies.
- Working with other stakeholders to help deliver the aims and actions of the Water Strategy.

In January 2018, the Welsh Government published its 'Strategic Priorities and Objectives Statement to Ofwat', which sets out its objectives for and expectations of Ofwat, and the strategic priorities that it expects Ofwat to pursue in its regulation of the water sector in Wales. These priorities relate to Affordability, Innovation, the Long-term, Markets and Competition, Resilience and a Strong Customer Focus. We contributed to the thinking behind and development of these objectives and priorities, and our ongoing work will help to support their delivery.

Performance Summary

A summary of CCWater's performance during 2017-18:

- We influenced the early stages of the 2019 Price Review (PR19) to ensure the cost of capital set by **Ofwat was less generous** to water companies than in the past. The regulator responded to our challenge by setting its lowest-ever assumption, meaning the average starting point for customers' bills could be about £15-25 per customer lower each year in the 2020-25 period.
- We successfully influenced Ofwat's **final methodology for PR19** to include requirements for water companies to make provision for financially vulnerable consumers, introduce the inclusion of the CMeX customer experience measure, and test customer acceptance of regulatory incentives to ensure that they are only included in company business plans when they are seen as legitimate.
- We dealt with **over 18,800 customer complaints and enquiries** about water companies in 2017-18. This brings the total number of complaints and enquiries we have handled since 2005 to just under **380,000**. We either met or beat our targets for acknowledging and closing complaints, and customer satisfaction with the outcome of their complaint (see tables on page 17-18).
- We continued to press water companies to improve their performance and to **get things 'right first time'** for customers. In September 2017 we reported 12 of the 21 water companies in England and Wales had seen a fall in written complaints from their customers. However, we voiced concerns over an increase in the number of telephone calls made by customers to companies to resolve issues – up more than 40,000 to 2.14 million. During 2017-18 we put pressure on four companies whose performance was particularly poor to take action to improve and by the end of March 2018 each of these companies had reported a significant improvement.
- We secured **£1.4 million in compensation and financial redress** for customers during 2017-18. This brings the total amount we have helped return to household and non-household customers to more than **£27 million** since we were established in 2005.
- We pressed all companies to have social tariffs in place, and our pressure to increase awareness led to increasing numbers of customers taking up the tariffs. In early 2017-18, CCWater helped to ensure that the last two companies introduced social tariffs, and latest figures show that around **333,000 customers were receiving help from these schemes**.
- Our benefits calculator and grants search tool continued to help low-income customers identify additional income to which they may be entitled. During 2017-18, 3,454 users identified more than **£9.3 million** in potential benefit entitlements.
- We also helped customers save water and money, with **250,000** visits to our water meter calculator in 2017-18. The total potential saving for these customers was estimated at over **£14.5 million**.
- During the freeze/thaw incident in March 2018, we quickly and publicly pushed companies to go beyond Guaranteed Standards Scheme (GSS) levels of compensation, resulting in increased **compensation of up to £150 per customer**.
- Our negotiations on the licence variation following Severn Trent's takeover of Dee Valley Water meant **39,000 customers in parts of Wales avoided wastewater bill impacts** arising from the unwinding of a cross subsidy of £15 per annum following the takeover.
- Through direct involvement with non-household membership bodies and the media, we helped raise **awareness of the non-household retail market towards 50%**
- Customer research plays a key part in helping us to reflect customers' views on a wide range of issues. This year we published **7 research reports** which we used to develop our policy lines, to advise or influence the water industry, regulators and governments, and to inform stakeholders about customers' views on water issues, including retail competition and resilience in the water industry.

- Consumers had opportunities to see our messages in print, broadcast and online media with a total reach of more than **218 million** – an unprecedented level of media coverage for CCWater. We have become the ‘go to’ commentator on water consumer issues for national media outlets including BBC TV and radio, ITV and the Financial Times.
- This year, for the seventh consecutive year, our work cost each water bill payer just **21p**. Recent figures show that, on average, CCWater’s own cost increases have remained below the retail price index (RPI) for the past ten years, with a keen focus on efficiency and value generating cost increases that are below the rate of inflation.

Performance Analysis

CCWater continued to advocate for water and sewerage consumers in England and Wales, providing specialist support across a wide range of sectors. We helped ensure water consumers' views were central to the way the water industry was managed and regulated. Our key performance indicators were set out in our Operational Business Plan (OBP) for 2017-18. This performance analysis shows how we achieved our measures of success for each strand of work.

At the outset of 2017-18, we focused on five strategic issues:

- **Speaking up for and informing consumers** by providing a trustworthy, independent voice that informs water and sewerage consumers about key issues and ensures Governments, water companies and other stakeholders understand consumers' views.
- Pressing for fair, **value for money** and affordable changes that are acceptable to customers.
- Water companies provide services that are **right first time** and sort out problems quickly and without hassle.
- **A reliable, resilient, sustainable, safe, good quality water supply** that consumers value and use wisely.
- **A sustainable, resilient sewerage system that works** and is used responsibly by consumers.

In November 2017, as part of our Forward Work Programme for 2018-21, we refreshed our strategic aim, which is supported by four strategic priorities, as follows:

Updated strategic aim: **Securing the best outcomes for all water consumers, present and future.**

The revised strategic priorities are:

- Advocate for **affordable charges** that all current and future consumers see as fair and value for money
- Challenge companies to provide their service **right first time**, protect household and business consumers when things go wrong and provide an easy-to-access service for all
- Press companies for **safe, reliable water and wastewater services** that all consumers can trust now, and in the long term
- Shape the water sector by **informing and engaging** all consumers so that consumers' voices are acted upon by decision-makers and the industry

SPEAKING UP FOR AND INFORMING CONSUMERS

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

Non-household retail competition

The opening of the non-household retail water market in England on 1 April 2017 marked the single biggest change to the industry since privatisation. After months of preparation, involving wholesalers, retailers and bodies including market operator MOSL (Market Operator Service Ltd.), regulator Ofwat and CCWater, the launch of the largest water retail market in the world went smoothly.

Our consumer relations team had received training to deal with the increase in non-household customer complaints and enquiries we expected the new market to bring. However, the actual increase was even greater than we had anticipated with non-household complaints more than tripling compared to the previous year. We worked with retailers to address some of the emerging difficulties that had caused concern for customers. In some cases this immediately led to improvements, including clearer communication to make it easier to get in touch with retailers and additional training for suppliers' frontline customer service staff.

We also targeted poor performing retailers who had contributed more than others to customer dissatisfaction and the increase in complaints to us. We were particularly concerned about one retailer's performance in the second half of the year and its effect on customers. After meeting with the retailer to press for action, we went public with our concerns in the national and trade media. We expect our sustained pressure to bring about an improvement from the retailer in the coming year.

During the year we led workshops for retailers, providing them with guidance on how to report information to us about customer complaints. This should bring greater consistency and comparability in how retailers report complaints, enabling us to more effectively monitor how well the market is serving customers. We have also hosted retailer working groups to look at issues that have led to poor customer service, as well as how to improve working relationships with wholesalers.

We continued to collaborate with the market operator, MOSL, and retailers to provide business customer feedback to help improve the central market systems that underpin the market. As members of the market codes panel and important sub-committees, we also looked at how to address emerging issues with services including trade effluent.

Our research findings on market awareness among small and medium-sized business customers attracted significant interest, particularly in the trade press. The reports suggested that awareness had not moved much since market opening with only 2 out of 5 SMEs aware they could switch retailer at the beginning of 2018. We used our findings to challenge market participants to step up their efforts to ensure that smaller businesses are not missing out on the potential benefits of choice.

Engaging stakeholders to produce benefits for customers

We undertook a programme of meetings with key stakeholders, including Age UK, Citizens Advice, the Local Government Association (LGA), and Which? to explore how we could work more closely with them on issues affecting consumers.

Following the General Election in June our Wales Chair and Regional Chairs in England wrote to all the newly-elected MPs in the area to introduce themselves, explain the work of CCWater and offer the MPs help in their work with their constituents. The Chairs also wrote to re-elected MPs to remind them that CCWater is here to provide help, advice and briefings on water consumer issues. Furthermore, we held a series of three drop-in sessions for MPs at Westminster and a session in Cardiff that was attended by a third of Welsh Assembly members. These events gave MPs and AMs the opportunity to find out more about our work and how we can help them and their constituents, as well as discussing a wide range of issues including water efficiency, support for vulnerable customers and flood insurance. Many politicians that were unable to attend our drop-ins got in touch to request briefings on the performance of water companies in their region.

In December 2017, Ofwat announced its lowest ever assumption on the cost of capital, to be incorporated into the starting point for customers' bills in 2020-25. This decision came after CCWater had repeated its call for the regulator to get tougher on water companies' financing costs and was supported by our independent research. Ofwat's assumption means that the average starting point for customers' bills could be around £15-25 lower than they would otherwise have been.

Communication

We used a mix of communication channels to inform consumers about issues that are important to them:

Media: In 2017-18 CCWater and our consumer advice and messages featured in media with a total potential audience reach of more than 218 million. This was spread across more than 1,750 pieces of media coverage online, in print and broadcast. This was the most media coverage CCWater has secured in a single year since our inception in 2005, surpassing the previous year's record of 168 million opportunities to see.

Website: We provide consumer support via our website and in 2017-18, the site attracted more than 346,000 visitors. Although this figure falls below our 500,000 target, work is underway to address this in 2017-18 with a more collaborative approach to drive traffic between the website and social media profiles.

Water meter calculator: Our water meter calculator remains an invaluable tool in helping customers to identify whether they can save money by paying for their water by meter. Extensive media exposure and campaigning helped drive 250,000 visits to the online tool, helping customers identify potential savings of £14.5 million.

Social media: We continued to increase our activity and engagement across social media during the year in line with our social media strategy. Our following on Twitter grew by more than 1,250 to 6,246 and we had almost 60,000 visits to our profile. We were mentioned in 1,918 tweets and our own posts reached a potential audience of almost 1.9 million. As well as increasing our activity and following on Facebook and LinkedIn, we launched our Instagram account at the start of 2018-19.

Stakeholder events: We engaged with a wide range of stakeholders from the water sector, Governments, regulators, and environmental and consumer bodies at two consumer issues workshops held in England and Wales in September 2017. The event in London gave stakeholders the opportunity to share their views on the big issues and challenges facing the water industry, including the 2019 Price Review (PR19), the non-household retail water market and the resilience of water resources. In Cardiff, the discussion focused on issues including sustainable drainage, supporting customers in financial hardship and customers' views on the adoption of private supply pipes by water companies. Stakeholders' views helped to shape our Forward Work Programme for 2018-21, which we published in March 2017.

In addition to this activity, CCWater representatives have delivered key presentations at a number of industry conferences including the Utility Week Customer Conference, Marketforce Water 2017 and the Water Market Reform Conference.

FAIR AND AFFORDABLE CHARGES

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

Affordability

More than a third of a million low-income households are now receiving lower water bills following CCWater's work with companies to establish social tariff schemes and improve the promotion of these to the hardest to reach customers. All water companies have established schemes and the take-up of these rose by 93% in 2016-17 and by a further 28% in the first half of 2017-18.

Our report: 'Staying afloat, consumer vulnerability in the water sector' highlighted the progress that has been made, including the additional financial assistance being delivered through other means, such as charitable trusts and debt payment matching schemes. It also highlighted the opportunities and challenges that lie ahead. Our research indicates around 3 million households still consider their water charges are not affordable.

We continue to promote the availability of social tariffs through media campaigns and our online social tariff guide. We have also worked with companies to identify opportunities to widen the scope of their tariffs through increased funding and to press for the adoption of our best practice recommendations, including those that emerged from the 2016 cross sector study undertaken by Sheffield Hallam University on behalf of CCWater.

Our affordability seminar brought together stakeholders including water companies, behavioral economists, and organisations which support the financially vulnerable, to share good practice and innovative techniques for delivering and promoting help.

Customers continued to benefit from using two online tools we launched in 2016 in partnership with poverty relief charity Turn2us. Our Benefits Calculator and Grant Search Tool enable consumers to discover whether they are entitled to further welfare benefits or assistance through grants. In 2017-18 more than 3,450 consumers used the Benefits Calculator and identified that they may be eligible for annual benefits totaling more than £9.3 million. More than 530 customers used our Grants Search Tool to identify potential sources of other financial assistance.

WaterSure

WaterSure can cap the bills of some metered customers if they are on benefits and need to use a lot of water, either for medical reasons or because their household has a certain number of school-aged children. Our work with companies and our own promotion of the scheme has helped ensure a continued increase in take-up of this assistance.

Take-up of the scheme increased by 11.6% in 2016-17, and by a further 11.3% in the first half of 2017-18. More than 132,000 metered customers are now registered for help across England and Wales. This is an increase of 720% in the ten years since CCWater led a project to bolster take-up of the scheme.

Fair charging

In line with the recommendations of the 2011 review of Ofwat and consumer representation in the water industry (Gray Review), we continued our work with companies as they developed their annual charges to help ensure their policies were fair and did not lead to significant bill shocks for customers.

In February 2018, water companies announced that the average household water and sewerage bill in England and Wales would rise by £9 to £405 in 2018-19. This includes inflation and is in line with the price limits set by Ofwat, the industry regulator, in 2014.

Our campaigning to raise awareness of the options for customers to save money on their bills continued to attract widespread national and regional media coverage, helping households to take more control of their charges.

Supporting vulnerable customers

Making sure customers in vulnerable circumstances get the support they need from their water company remained high on our agenda. We continued to work closely with water companies to increase the consistency and levels of support that are available to customers with a wide range of additional needs. We also supported the industry’s efforts to raise awareness of these schemes.

Our collaboration led to 19 out of 21 water companies branding their non-financial assistance scheme Priority Services, with SES Water and Hartlepool Water also expected to follow suit. Priority Services aim to provide emergency assistance to vulnerable customers during periods of limited water supply.

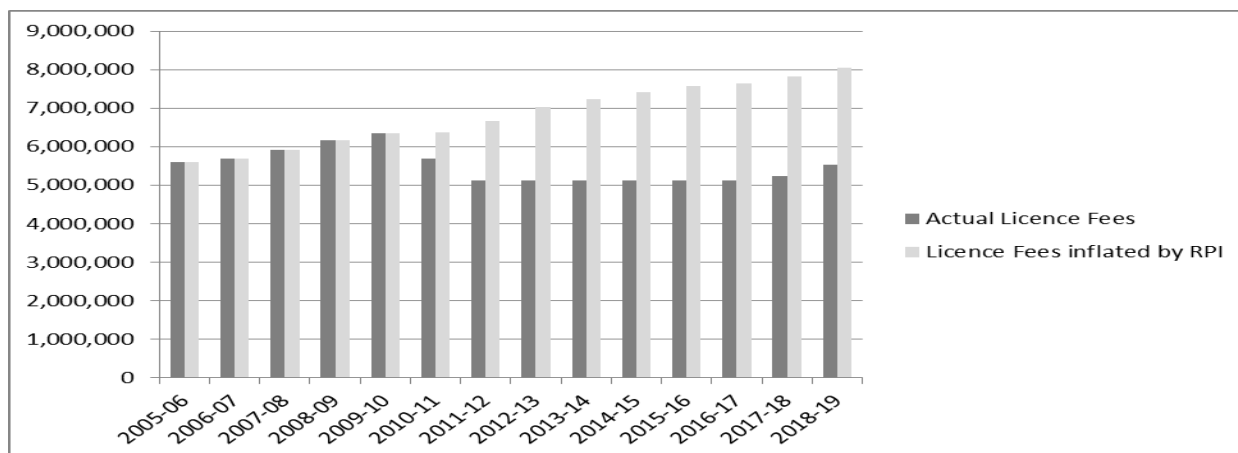
The number of consumers registered for water companies’ Priority Services rose from 308,000 in 2016-17 to 324,000 in the first half of 2017-18 - an increase of more than 5%.

A wide range of stakeholders attended our first-ever Vulnerability Seminar where we explored issues including the progress made on consumer vulnerability, opportunities for the water and energy sectors to work together on Priority Services and safeguarding in the water industry.

Our negotiations on the licence variation following Severn Trent’s takeover of Dee Valley Water meant 39,000 customers in parts of Wales avoided wastewater bill impacts arising from the unwinding of a cross subsidy of £15 per annum following the takeover.

Our Costs

We believe that keeping our costs to a minimum is important, as they are charged to consumers through water companies’ bills. For 2017/18 our licence fee was £5.24m, which cost each bill payer 21p. This has remained the same since 2011/12. We have consistently kept our costs low by identifying savings that help us to avoid inflationary pressures, whilst still investing in our services. The graph below shows our actual licence fee year-on-year, compared to an inflation increase at the Retail Price Index (RPI) rate. The increase in our costs is less than RPI by an average of 3.3% per year. This means that in 2017/18 it was £2.6m lower than if we had applied the RPI inflation in each year.



RIGHT FIRST TIME**Target poorer performing companies so that customers get a service that is right first time:**

We kept up the pressure on water companies to improve their services and reduce the number of complaints they received from customers. In particular, we pressed four of the poorest performing companies to tackle the underlying causes of customers' concerns. We asked these companies to give us regular reports on how effective their actions had been. Dŵr Cymru Welsh Water and Affinity Water had improved sufficiently by the middle of the year for us not to continue requesting these more detailed quarterly updates. By the end of March 2018, the remaining two companies – Cambridge Water and Southern Water - had started to improve their performance and reported a fall in written complaints.

By the end of quarter 4, we had received more than 18,800 consumer complaints and enquiries about water companies. Contacts to us decreased by 3% compared to 2016-17, although complaints increased by nearly 11%. Some of this increase can be attributed to the opening of the non-household retail water market in England at the start of April 2017. Although we anticipated competition would bring an increase in contacts, the rise in complaints about some retailers was higher than we expected. We met with poor performing retailers to gain a better understanding of the problems customers were encountering and what action was being taken to address these issues. Despite the increased number of complaints, we met our Operational Business Plan (OBP) performance targets for responding to complaints within 5, 20 and 40 days.

Contacts to CCWater from Customers	2017-18	2016-17	2015-16	2014-15
Enquiries	9,165	10,699	8,453	7,695
Complaints	9,650	8,715	9,991	10,138
Formal Investigations ²	29	7	18	21

Our performance against our OBP targets in dealing with complaints about water companies (wholesale and retail companies) is shown in the table below. We met or exceeded all of our targets.

Percentage of complaints	2017-18		2016-17		2015-16 ³		2014-15	
	OBP target	Achieved	OBP target	Achieved	OBP target	Achieved	OBP target	Achieved
Acknowledged in 5 working days	99.5%	99.7%	99.5%	99.6%	99%	99.9%	99.5%	99.9%
Closed in 20 working days	80%	80.0%	80%	80.4%	78%	82.4%	79%	82.6%
Closed in 40 working days	91%	92.4%	91%	92.1%	90%	92.6%	91%	92.3%

During the year we surveyed up to 100 customers a month to find out how satisfied they were with all aspects of our service. We exceeded our targets for customer satisfaction with complaint outcome and our target for courtesy. We are slightly behind our target for overall satisfaction with service, which has been affected by us falling short of our target for satisfaction with speed.

In the second quarter of the year we experienced unexpected staff absence, recruited and trained new members of staff, and streamlined our administration processes. The combination of these factors resulted in extended case-handling times. However, the changes we made put us back on track and we saw a seven percentage point increase in satisfaction with the speed of our service by quarter three.

² We conduct a formal investigation into a complaint if it has exhausted a company's complaints procedure but we are unhappy with the outcome and see an avenue for challenge.

³ We reduced our OBP targets in 2015-16 slightly from the previous year to reflect potential disruption and skills loss during the restructure of our complaints handling function. We increased our targets again in 2016-17

	2017-18		2016-17		2015-16 ⁴		2014-15	
	OBP target	Achieved	OBP target	Achieved	OBP target	Achieved	OBP target	Achieved
Customer satisfaction with all aspects of CCWater's complaint handling								
Outcome of the complaint	61%	63.5%	61%	62.5%	58%	60.4%	61%	57.4%
Speed	80%	69.1%	80%	77.2%	79%	81%	80%	79.8%
Service	75%	73.3%	75%	75.9%	72%	73.8%	75%	72.6%
Courtesy	93%	93.5%	93%	93.6%	90%	92.8%	93%	93.3%

Complaints to the Parliamentary and Health Service Ombudsman

If a consumer remains dissatisfied about the way CCWater has dealt with a complaint they can, with the support of their MP, refer the matter to the Parliamentary and Health Service Ombudsman (PHSO). The PHSO has not informed us of any investigations it has made into our case handling in 2017-18.

Water Redress Scheme (WATRS)

If a case has exhausted a water company complaint procedure and CCWater feels there is nothing further it can achieve, a consumer who remains dissatisfied with the outcome can refer their complaint to the Water Redress Scheme (WATRS). This is an independent adjudication scheme. At the end of 2017-18, 249 consumers had approached WATRS. This is around 3% of all complaints that we closed in the year. Consumers have six months from the time we close their case to go to WATRS, so this number may increase over the coming months. Of the applications received and closed by WATRS, 86 customers received an adjudication that required their company to take further action to resolve the case.

RELIABLE, GOOD QUALITY WATER SUPPLY

Continue to press for a reliable, resilient, sustainable, safe, good quality water supply at an affordable price:

Helping consumers to use water wisely

During the summer of 2017 we carried out research to gain a better understanding of consumers' awareness of the pressures on our water resources in England and Wales. 'Saving Water: Helping customers see the bigger picture' revealed that the future of water supplies was not an issue at the forefront of most consumers' minds. But it also suggested that consumers were more likely to respond to a set of messages that helped them to understand the 'bigger picture' surrounding our water resources. Many people said that having a better understanding of the pressures on our supplies and how this is linked to their own use of water would make them more receptive to water-saving advice.

We shared the report with the wider industry and are using the findings to influence the way water companies and other organisations approach their communication with consumers on using water wisely.

For the first time we were also one of the sponsors of Water Saving Week, a week-long campaign organised by Waterwise every March to encourage people to value water and use it wisely. During the campaign we held a drop-in session in Cardiff where a third of Welsh Assembly members made a public pledge to save water and support our work with consumers. We were also very active on social media, sharing a steady stream of water-saving advice and inviting consumers to make their own pledge. Overall, the campaign's messages reached a potential audience of 27 million users on Twitter alone.

Leakage

Our water resilience report – entitled *Water, Water, Everywhere: delivering a resilient water system* – was published in December 2017 and revealed that the amount of water lost through leaky pipes in 2016-17 had increased by 1% compared to the previous year, with water companies in England and Wales losing 3.1 billion litres of water every day. Of even greater concern was the gulf in the performance of the best and worst performers. We used the publication of the report to challenge the poor performers to step up their leakage reduction. Our report warned water companies they risked dampening consumers' enthusiasm to use water

⁴ We reduced our OBP targets in 2015-16 slightly from the previous year to reflect potential disruption and skills loss during the restructure of our complaints handling function. We increased our targets again in 2016-17

wisely unless they did more to address this issue. The findings of the report and our campaigning attracted widespread national and regional media coverage, including a feature on BBC Breakfast news which exposed the poor performance of some companies. We will continue to keep pressing companies to reduce leakage as part of our work on the 2019 Price Review.

Supply interruptions

The amount of time consumers were left without running water fell by just over three minutes to an average of 10 minutes and 45 seconds per property. However, we remain concerned that the performance of water companies varies considerably.

While interruptions to supply still occur, we will continue to:

- Push companies to keep this to a minimum;
- Monitor the poorer performing companies and challenge any upward trends; and
- Press companies to communicate effectively with customers to avoid unnecessary disruption.

Wales Water Forum

We contributed to all three Wales Water Forum events which the Welsh Government held in 2017/18. Topics discussed included lead pipes, water efficiency and the 21st Century drainage programme.

We also contributed to the Welsh Government's PR19 Forum, which took place on five occasions during 2017/18. In July we led a discussion on customer priorities and customer engagement in the context of Ofwat's draft PR19 Methodology and one of its key themes - Great Customer Service. Forum meetings later in the year focused upon the development of business plans by the water companies in Wales, including their consumer research and engagement, and their investment proposals. We used these opportunities to question and challenge the companies on aspects of their work and plans, to help ensure that they deliver the best outcomes for all water consumers, present and future.

A RESILIENT SEWERAGE SYSTEM

Help consumers who suffer from sewer flooding in their houses, gardens or local communal areas:

Sewer flooding

We are part of the Water UK-led '21st Century Drainage Programme Board' which is made up of all 12 sewerage companies in the UK and representatives of governments, regulators and environmental groups. In October 2017 the group set out how it proposes to ensure that the UK's drainage systems will meet the twin challenges of climate change and population growth over the next 25 to 50 years.

We are helping to lead the strand of work to reduce sewer misuse, which can lead to flooding. In 2016-17, sewerage companies spent £88 million unblocking sewers and drains that had clogged up because of inappropriate items being flushed down the toilet or poured down the sink. We have continued to support an international campaign, involving water companies as well as environmental and customer groups across 19 countries, to persuade manufacturers of wet wipes to clearly label all wipes as 'do not flush'. This area of work has made significant progress with major retailers such as Tesco and Sainsbury's adopting the 'Do not Flush' label on their wet wipes packaging. We were also part of the steering group that funded and worked with City to Sea via the 21st Century Drainage Programme to deliver a national campaign to reduce the amount of wipes and sanitary waste flushed into our sewers. The campaign produced a series of videos, educational tools and worked with third party influencers to encourage change. The campaign significantly exceeded its social media engagement targets.

Our work with Southern Water on the 'The Unflushables' campaign, which helps consumers understand the impact of internal sewer flooding and the simple steps they can take to help stop it, won the Gold Award for Corporate and Business Communications Campaign at the CIPR Pride Awards for the South of England and Channel Islands in November.

Sustainable drainage systems (SuDS)

SuDS offer a way to reduce the volume of surface water entering sewerage systems by directing it to, for example, specially built ponds and grassed swales. They can also reduce the risk of sewer flooding. The UK Government's strategic priorities and objectives for Ofwat (covering water companies wholly or mainly in England) set out how companies are expected to develop a mix of solutions to meet current and future water management needs. Water and sewerage companies have committed to delivering SuDS projects as part of their PR19 business plans.

There are actions in the UK Government's 25 Year Environment Plan for England to amend the National Planning Policy Framework, the Planning Practice Guidance and in the longer term, consider how amendments to the Building Regulations in England could encourage the uptake and long term maintenance of multiple benefit SuDS. Welsh Government has recently announced the Commencement Order for the implementation of SuDS on new developments was signed 1 May. This means that (Schedule 3 of the Flood and Water Management Act 2010) becomes law as from 7 January 2019. From this date local authorities will act as SuDS Approving Body (the SAB) and national standards for SuDS design will be mandatory.

Throughout 2017-18, CCWater continued to press water and sewerage companies to consider using SuDS as a proactive measure to protect homes and businesses from the risk of sewer flooding. In November 2017, we published a report entitled Clear way forward: Building a resilient sewerage and drainage system (2016/17), which revealed that almost a third more properties were flooded with sewage during 2016/17, and made recommendations challenging the industry to take the lead in encouraging developers and other partners to consider the use of SuDS in helping to absorb some of the pressure put on the sewer network by excess rainfall.

Earlier in the year, CCWater's Board members visited SuDS projects in Wales and in the North East of England. In support of this activity, our Regional committees in England have been encouraging companies to consider using SuDS when implementing solutions to sewer flooding and when developing their business plans for the next price review.

SUSTAINABLE DEVELOPMENT

CCWater has a statutory requirement to address sustainable development. This means that we actively encourage water companies to develop policies and approaches that aim to meet the needs of the current generation without unduly compromising the ability of future generations to meet their own needs. Over the past year, we have taken this approach in all areas of our work but especially as follows:

- In our affordability work, we try to ensure that future generations will not have to pay too much for water by asking water companies to plan for the long term and to phase investments. We have challenged companies to develop their business plan proposals for 2020-25 within the context of a long-term strategy that will serve the needs of both current and future customers.
- Through our work with companies on their water resource and drought management plans, we ask them to consider how to meet the needs of customers in the future without having an undue impact on the environment.
- By actively encouraging customers to use water wisely, this will help to secure water supplies for the future as we face growing pressures on our available water resources.
- By promoting customer behavioural change in the way that they dispose of fats, oils and grease, we aim to ensure that the sewerage system is used appropriately and will remain fit for purpose for the next generation and beyond.
- By actively encouraging water companies to adopt more sustainable ways of working. We support their increasing use of solar power and anaerobic digestion as a means to reduce their energy consumption, and encourage partnership working with other sectors to help reduce pollution in water sources.

STRATEGIC RISK

Information about the link between our performance outcomes and the strategic risks facing CCWater during 2017-18 is highlighted in the 'Managing risk' section of the Governance Statement on page 35.

Financial Summary

The main financial highlights are summarised below:

Operating Cost Summary	2017-18	2016-17
	£000s	£000s
Income		
Operating Income	-	-
Expenditure		
Operating Costs	5,160	5,200
Net Operating Cost	5,160	5,200

The revenue budget for CCWater during 2017-18 was £5.25 million. CCWater managed this by delegating the budget to individual budget holders, based on our Forward Work Programme priorities and activities. Expenditure is monitored against budget on a monthly basis with formal quarterly budget holders meetings.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

5 June 2018

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

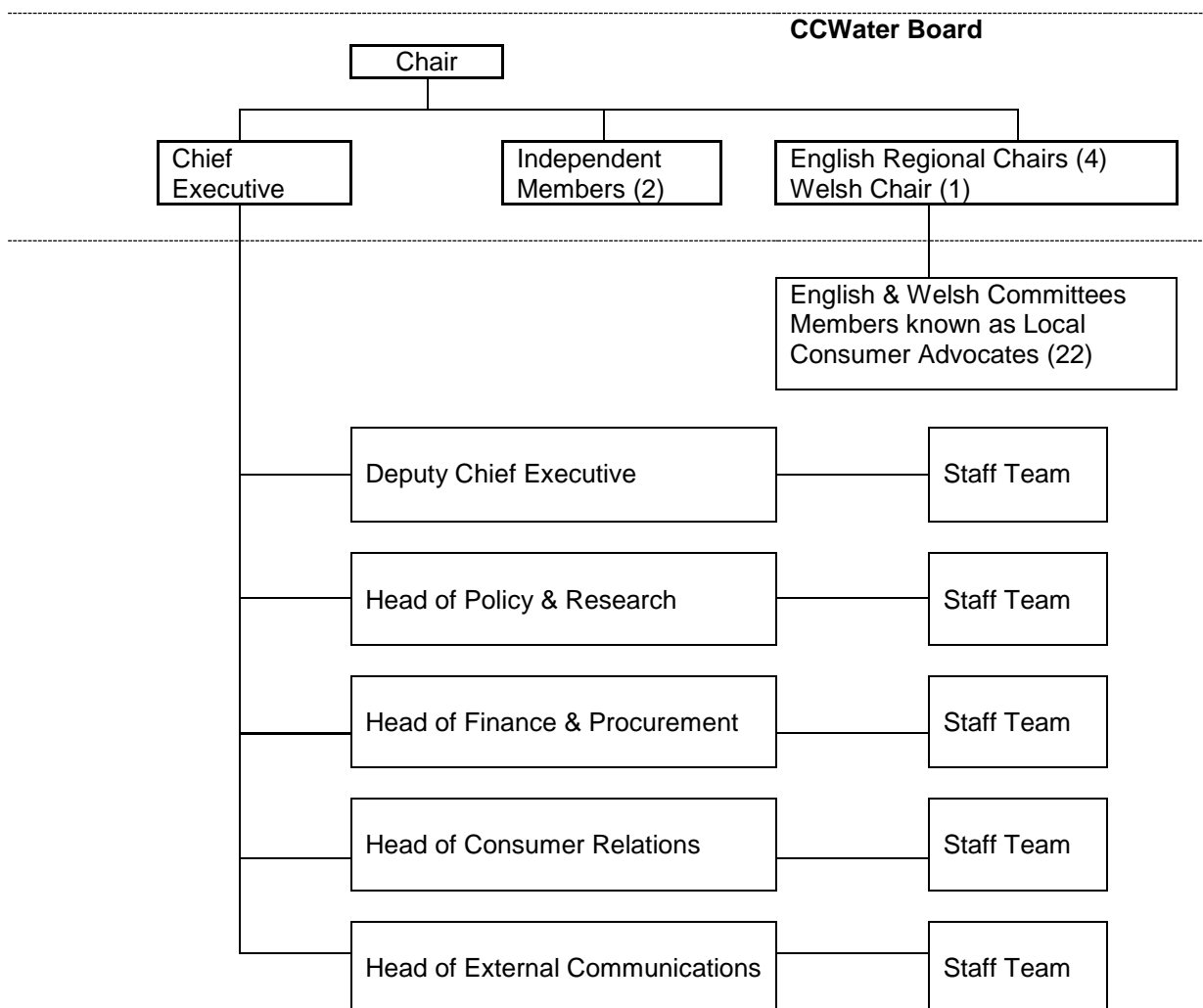
ACCOUNTABILITY REPORT

Corporate Governance Report

Directors’ Report

Organisational structure

CCWater consists of a national Council, known as the Board, four committees for England and a committee for Wales. Each committee has between three and five members, known as Local Consumer Advocates. The chart below shows the structure of the organisation at the year end.



Board Appointments

The membership of the Board during 2017-18 was:

		Appointed:	Re-Appointed:	Expires:
Council Chair	Alan Lovell	1 April 2015		31 March 2019
Chief Executive	Tony Smith	1 December 2005	1 December 2009 1 December 2013 1 December 2017	30 November 2021

England Regional Committees Chairs:

Northern	Robert Light	1 July 2015		30 June 2019
Western	David Heath	1 July 2015		30 June 2019
Central and Eastern	Bernard Crump	1 February 2013	1 February 2017	31 January 2021
London and South East Chair and Vice Council Chair	Tony Redmond	1 March 2013	1 March 2017	28 February 2021

Wales Committee:

Wales Chair	Tom Taylor	1 October 2015		30 September 2019
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Independent Members:

Julie Hill	1 February 2014	1 February 2018	31 January 2021
Philip Johnson	1 February 2014	1 February 2018	30 May 2018

During 2017-18 Defra reappointed Independent Board Members Julie Hill and Philip Johnson. Both reappointments were made in line with the Code of Practice issued by the Commissioner for Public Appointments.

Board register of interests

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

The senior management team

The composition of the senior management team, known as the Executive Team, during 2017-18 was:

Tony Smith	Chief Executive
Phil Marshall	Deputy Chief Executive
Deryck Hall	Head of Policy & Research (left 31 May 2017)
Mike Keil	Head of Policy & Research (started 8 May 2017)
Carl Pegg	Head of Consumer Relations & Communications
Marie Perry	Head of Finance & Procurement
Amanda Caton	Head of External Communications (started 26 March 2018)

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

The contracts of Phil Marshall, Carl Pegg, Mike Keil, Marie Perry and Amanda Caton are standard open-ended contracts with a three-month notice period. Senior managers have declared that they held no company directorships or other significant interests that might have caused a conflict with their CCWater responsibilities.

Support services & spending control compliance

Since April 2010, with the exception of information technology (IT), internal audit and payroll, all support services have been provided in-house. IT infrastructure is provided under an agreement with Capita. Our web-based complaints management system is provided by Capventis. Our website and intranet are hosted by DXW. Internal Audit services were tendered during the year and RSM were re-appointed. Payroll services were tendered during the year and CGI were re-appointed. In 2017-18, we have continued to operate within the Government's spending controls. Our CEO has delegated authority to approve external recruitment of frontline posts. This was extended to business critical posts at the end of March 2015.

Payment of suppliers

CCWater achieved 99.86% against the Government target for paying agreed invoices within 30 days of receipt during 2017-18 (99.50% in 2016-17). 87.6% were paid within 5 working days compared to a target of 80% (84.1% in 2016-17). Creditor days were 1 days at 31 March 2018 and 5 days at 31 March 2017.

Health and Safety

CCWater is committed to the health and safety of its staff, visitors and any contractors working on its premises. We follow and encourage an open participative approach and staff are invited to take any concerns on health and safety matters direct to the Health and Safety manager or a Staff Council representative. We continue to promote safe and effective working practices for our home working colleagues during the year. We comply with the Health and Safety at Work Act 1974 and all other relevant legislation as appropriate. We are committed to the positive promotion of accident prevention and the elimination of accidents involving personal injury, illness or damage. At Board level, our Chief Executive is responsible for Health and Safety. Our Board sub Committees and Staff Council meetings regularly discuss Health and Safety. There were no RIDDOR reportable incidents in 2017-18 and no working days lost to occupational illnesses or injuries. There were three internal accident forms completed.

Important events affecting CCWater

On 1 April 2017 the new retail water market opened in England, giving around 1.2 million businesses, charities and public sector bodies the opportunity to switch their water retailer or renegotiate with their existing provider for a better deal on price and service. This was the biggest shake-up in the water industry for more than a quarter of a century. CCWater prepared for this change by ensuring that our consumer relations team was ready to support business customers with advice and information about the new market and to handle any customer complaints. Our policy and communications teams worked with business representative groups and with the Open Water programme partners (Defra, Ofwat and MOSL) to raise customers' awareness of the changes. We also engaged with new retailers to build a relationship with them and ensure they understood our complaints handling process.

Political donations

During the financial year 2017-18 CCWater made no donations to political parties.

Directors' statement and going concern

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

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

The accounts for 2017-18 have been prepared on a going concern basis. Defra and the Welsh Government have agreed CCWater's 2018-19 revenue budget. CCWater is in a net asset position and there is no reason to believe that future approvals will not be forthcoming.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

5th June 2018

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

Statement of Accounting Officer's Responsibilities

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

This Annual Report and Accounts covers the period 1 April 2017 to 31 March 2018.

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, statement of financial position, changes in taxpayers' equity and cash flows for the financial year.

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

In preparing the accounts, the Accounting Officer is required to comply with the '2017-18 government financial reporting manual' (FReM), and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgments and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the FReM, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going-concern basis.

The Accounting Officer is responsible for the propriety and regularity of the public finances. This includes keeping proper records and for safeguarding CCWater's assets, as set out in 'Managing Public Money' published by the HM Treasury.

Accounting Officer's statement and going concern

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

- so far as he is aware, there is no relevant information of which the Auditor is unaware; and,
- all steps have been taken in order to make the Auditors aware of any relevant information and to establish that the Auditor is aware of that information.
- the annual report and accounts as a whole is fair, balanced and understandable and that he takes personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

Governance Statement

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

Funding and classification

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

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

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

Board responsibilities

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

- establishing and taking forward the strategic aims and objectives of CCWater consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State and the Welsh Ministers;
- ensuring that the responsible UK Minister and the Welsh Ministers are kept informed of any changes which are likely to impact on the strategic direction of CCWater or on the attainability of its targets, and determining the steps needed to deal with such changes;
- ensuring any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with the sponsor departments of Defra and the Welsh Government, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account guidance issued by Defra and the Welsh Government;
- ensuring that the Board receives and reviews regular financial information concerning the management of CCWater; is informed in a timely manner about any concerns about the activities of CCWater; and provides positive assurance to Defra and the Welsh Government that appropriate action has been taken on such concerns;
- demonstrating high standards of corporate governance at all times, including by using the Audit and Risk Management Committee to help the Board to address key financial and other risks;
- setting performance objectives and remuneration terms linked to these objectives for the Chief Executive, which give due weight to the proper management and use of public resources; and
- conforming with CCWater's Welsh Language obligations in line with the Welsh Language Standards under the Welsh Language (Wales) Measure 2011.

Board membership

During 2017-18 the Board consisted of the Chair, four regional Chairs for England (one of whom has been appointed as Deputy Chair), a Wales Chair, two independent members and the Chief Executive. Appointments to the Board are made by the Secretary of State for Environment, Food and Rural Affairs; the Wales Chair is appointed by the Welsh Assembly. All appointments are for terms no longer than five years and Board members may be reappointed as their terms expire, but there is no automatic right to this.

Board members, the Board Committees that they served on and their attendance during the year are set out in the following table:

Name	Date of appointment	Board & Committee membership/attendance			
		Board	Audit and Risk Management Committee	Human Resources and Remuneration Committee	Advisory Committee
Bernard Crump	1/2/17	11/11		4/4	
David Heath	1/7/15	11/11		4/4	
Julie Hill	1/2/18*	10/11	5/5	3/4	1/1
Philip Johnson	1/2/18**	10/11	5/5 (Ch)		1/1
Robert Light	1/7/15	10/11	5/5		
Alan Lovell	1/4/15	11/11			1/1
Tony Redmond	1/3/17	10/11		4/4 (Ch)	0/1 (Ch)***
Tony Smith (Chief Executive and Accounting Officer)	1/12/05	11/11			
Tom Taylor	1/10/15	10/11	5/5		

Ch – Committee Chair

* Julie Hill was reappointed to the Board from 1 February 2018 for a period of 3 years until 31 January 2021.

** Philip Johnson's appointment to the Board was extended from 1 February 2018 for a further four months until 31 May 2018.

*** Tony Redmond had declared an interest in the matters considered by the Advisory Committee. He recused himself from the discussion and Alan Lovell chaired the meeting.

The Chair and Chief Executive are not members of any Board Committee but are invited to attend relevant meetings. Members of the Executive are invited to attend all Board meetings and relevant committee meetings. All Board members are required to declare potential conflicts of interest on appointment and at the beginning of each meeting they attend. They must also confirm annually that the register of their interests is up to date. Where actual or potential conflicts of interests are identified, Board members take no part in any discussion and are not involved in any decisions that relate to those interests.

The Register of Interests is published online at

<https://www.cwater.org.uk/aboutus/our-people/board/boardregisterofinterests/>

Board discussions

Notwithstanding general customer service and affordability issues, the Board's primary focus during 2017-18 has been on: the 2019 Price Review, oversight of the performance of the non-household market, reinforcing customer priorities in price setting, long term water resources planning, oversight of CCWater's research programme and oversight of the CCWater governance arrangements.

Board Committees: responsibility and work

During the year ending 31 March 2018 the Board had the following committees:-

Audit and Risk Management Committee

The role of the Audit and Risk Management Committee is to:

- promote the highest standards of propriety in the use of public funds and encourage proper accountability for those funds;
- advise on matters that affect the financial health, probity or external reputation of the organisation;
- ensure the system of internal control complies with HM Treasury requirements; and
- ensure the internal systems promote a climate of financial discipline and internal control that help reduce the opportunity for financial mismanagement, will satisfy the organisation that it will meet its key objectives and targets and is operating in a manner that will make the most economic and effective use of resources available.

Human Resources and Remuneration Committee

The role of the Human Resources and Remuneration Committee is to:

- advise the Board on the initial appointment, remuneration terms and performance objectives of the Chief Executive;
- receive from the Chair recommendations in relation to performance objectives, salary changes and performance bonus of the Chief Executive and to determine on behalf of the Council if the Chief Executive should receive an increase in salary or performance bonus and the amount of any such increases
- act on the Council's behalf in relation to staff remuneration; and
- carry out monitoring and provide oversight of human resources matters.

Advisory Committee

The role of the Advisory Committee is to provide advice and assurance on national matters that form part of the Council's responsibilities, to undertake independent reviews of CCWater's complaint handling that may be required and to hear any requests for dispensation from Local Consumer Advocates (LCAs) wishing to take up a position with a water company within six months of their LCA role ending.

Regional and Wales Committees

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

The primary role of the Local Consumer Advocates is to:

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

<u>Local Consumer Advocates 2017-18</u>				
Central & Eastern	London & South East	Northern	South West	Wales
Graham Dale	Helen Charlton	Angela Collins	Mike Bell * (Resigned with effect from 28 April 2017) (Re-appointed with effect from 25 September 2017)	Ronnie Alexander
Yvonne Davies (appointed 5 June 2017)	Claire Keatinge (appointed 31 July 2017)	Bhupendra Mistry	Mike Short	Angela Davies-Jones
Alison Dedicoat (resigned with effect from 8 June 2017)	Rachel Onikosi (resigned with effect from 3 April 2017)	Colin Wilkinson	Veronica O'Dea	Robert Gilchrist
Gill Holmes	Penny Shepherd		Gudrun Limbrick	Lee Gonzales
Paul Quinn	Ingrid Strawson			Sian Phipps
	Alison Thompson			
	Caroline Warner			

Local Consumer Advocates are recruited in line with best practice in public appointments via fair and open competition and serve a maximum of ten years. They are expected to give a time commitment of four days per month and receive an annual remuneration of £4,510.

*Mike Bell stood as a candidate for Parliament in 2017 and was required, in accordance with his Terms & Conditions of appointment, to step down from his LCA role. He was not successful in becoming an MP and, following success in a fair and open recruitment competition, Mike was appointed again to the Committee for the Western region.

In 2017/18 CCWater undertook a total of 3 fair and open recruitment processes for Local Consumer Advocates. The recruitment panels included a Committee Chair and a non-CCWater Independent member.

Executive Team

The Executive Team is chaired by the Chief Executive and comprises CCWater's Deputy Chief Executive, the Head of Policy & Research, the Head of Consumer Relations & Communications (from 26th March 2018 this role was split into a Head of Consumer Relations and a separate Head of External Communications, both of which are members of the Executive Team) and the Head of Finance & Procurement. The role of the Executive is to assist the Chief Executive in the day-to-day running of the business. The Executive usually meets weekly and decides, subject to the overall direction and control of the Board, on all matters relating to management and resources, as well as implementing the strategy and policy agreed by the Board.

Board's performance

For 2017-18, the Board set itself five key objectives, as distinct from the organisation's objectives set out in our Forward Work Programme and Operational Business Plan. The objectives and the Board's assessment of its achievement against them is set out in the table below:-

Objective	Achievement
<p>1) Demonstrate strategic leadership and direction by:</p> <ul style="list-style-type: none"> - in line with CCWater's strategic objectives and bearing in mind the views, priorities and expectations of water consumers and other stakeholders and taking account of known and potential future challenges affecting water consumers, CCWater and/or the water sector:- <ul style="list-style-type: none"> • Set the vision, aim and strategic policy direction for CCWater • Check that CCWater's Forward Work Programme can deliver outcomes that will benefit water consumers while keeping CCWater costs affordable; - provide effective oversight of CCWater's governance arrangements; - individually, provide oversight and challenge to the specialist area allocated [see table at end] <p><u>OUTCOME: CCWater is evidence-based and forward-looking, with clear strategic objectives and priorities, backed up by sound governance arrangements.</u></p>	<ul style="list-style-type: none"> - The Board held two half day strategy events and discussed topics including PR19, alternative approaches to consumer representation, CCWater's priorities, priorities for stakeholder management, and, consideration of issues ahead of a potential tailored review. At these events the Board also carried out horizon scanning activities to inform its work planning and prioritisation. - In November 2017 the Board agreed a new aim for CCWater to replace the previous vision and also revised strategic priorities; these are both reflected in the 2018-2021 Forward Work Programme. - The Board agreed the 2018-21 Forward Work Programme that was drawn up taking into account the findings of CCWater research in relation to customer priorities and expectations. The programme was subject to formal consultation, and comments received during the consultation processes were taken on board in the final draft which was subject to challenge from the Board before approval. - Throughout the year the Board maintained oversight of CCWater's governance arrangements including monthly financial review, monthly consideration of issues around PR19, the annual review of the Code of Governance and oversight through its Audit & Risk Management and Human Resources & Remuneration Committees. - The Board set a budget for 2018-19 that kept costs to consumers at less than 21p per bill. - In its deliberations the Board places an emphasis on the long term for example in its discussions on PR19, company business plans, Water Resource Management Plans and the long term resilience of water resources. - Individually board members have supported the work areas allocated to them, including providing advice and challenge to the research programme and attendance at research events, through membership of the Market Reform Strategy Group and PR19 Steering Group, working with WATRS and attending MP drop in sessions in Parliament.

Objective	Achievement
<p>2) Further improve our relationships with stakeholders, both nationally in England and Wales and regionally</p> <p>While acting at all times in line with CCWater's corporate values and behaviours</p> <ul style="list-style-type: none"> - represent CCWater to stakeholders to:- <ul style="list-style-type: none"> • positively influence their views and perceptions of CCWater and its work • hear about and address any relevant concerns raised by them • articulate our aims and priorities and seek to achieve greater buy-in to our Forward Work Programme • promote CCWater's consumer advocacy role and its successes for water consumers • build our regional and local stakeholder network and seek to identify suitable opportunities for partnership working • emphasise the national and regional focus of CCWater - Regional/Wales Chairs add value to the Board's work through the delivery of their local engagement plans and engagement with water companies - Independent members check that any apparent variations across regions are reasonable/justified <p><u>OUTCOME: CCWater is seen as a professional consumer body operating both nationally in England and in Wales and regionally that delivers outcomes for water consumers</u></p>	<ul style="list-style-type: none"> - During the year the Board held five meetings in public – one in each of the four English regions and one in Wales to engage with stakeholders on a range of topics including: the role of water in relation to growth, water resources and resilience in the South East of England, the relationship between investment and the environment, innovation in the water sector and the relationship between the water industry and tourism and agriculture in the South West of England. - During the period a number of initiatives have taken place to improve CCWater's relationships with stakeholders nationally and regionally including for example:- <ul style="list-style-type: none"> • three MP drop in sessions plus an AM drop in session in Wales; • national stakeholder events; • regional Committee meetings; • quarterly reporting to Defra and Welsh Government; • Welsh Government liaison meetings; and • attendance at the Wales Water Forum. - The Chair and Chief Executive have met with a number of organisations including Ofwat, the Drinking Water Inspectorate, and the Local Government Association as well as key Parliamentarians to discuss common issues. - Regional/Wales Chairs have been interviewed by the media on a number of occasions including on a number of BBC local and independent commercial radio stations in relation to, for example, the annual Written Complaints Report, the Thames Water fine for polluting the River Thames and the difficulties experienced after the severe weather in early March 2018.

Objective	Achievement
<p>3) Provide support to the Executive Team by:</p> <ul style="list-style-type: none"> - provide guidance, advice, suggestions and critical challenge in relation to matters of policy development and practice. - act as ‘critical friend’ to individual Executive Team members or senior managers. - provide feedback on the performance and behaviours of Executive Team members and other senior managers where appropriate. - Support the Executive team in its review of the results of the Staff Survey and implementation of any actions. - encourage Executive Team members to empower senior managers. <p><u>OUTCOME CCWater Executive and Senior Managers are empowered and supported when developing policy positions and ideas.</u></p>	<ul style="list-style-type: none"> - The Board has considered and challenged significant policy matters during the year providing insight and guidance for the organisation. - Issues considered at the Board’s meetings in private in this period included non-household retail competition, customer complaints to CCWater, social tariffs, water company financial results, bundling, fluoridation, water resale, water companies’ Charges Schemes; and consideration of CCWater policy and strategy around PR19. - Board members provide critical friend support to members of the Executive Team as necessary throughout the year. - The Board considered the findings of the annual employee survey and monitored the implementation of the action plan arising from it. - Board members regularly support the Consumer Relations Team in case reviews.
<p>4) Achieve high-class Board behaviours by:</p> <ul style="list-style-type: none"> - act at all times in line with CCWater’s corporate values and behaviours. - adapt communication styles to reflect the preferences of others. - afford other Board Members and attendees at Board meetings the opportunity to speak openly and contribute fully. - contribute to robust Board debate and challenge in a courteous and respectful manner. - close out discussions, coming to firm conclusions and agreeing actions with realistic timescales that can be monitored and reported. - take collective responsibility for agreed Board outcomes and decisions. - Board members elevate interesting, unusual or controversial issues, with significant customer implications to the Board for discussion. - where they see and/or hear of concerns or possible problems, independent members challenge the Regional Chairs’ relationships with water companies to avoid capture. <p><u>OUTCOME: The Board is seen by CCWater staff and Executive as a cogent, high-performing team and not as a group of individuals.</u></p>	<ul style="list-style-type: none"> - The Board’s membership is drawn from a wide range of relevant backgrounds. - Board members act in line with CCWater’s corporate values and behaviours. - Board members offer other members and those attending Board meetings to speak openly and contribute fully. - The Board takes collective responsibility for agreed outcomes and decisions. - The Board has commenced its annual review of its effectiveness.

Objective	Achievement
<p>5) PR19</p> <ul style="list-style-type: none"> - Help deliver CCWater’s objectives for the 2019 Price Review, agreed at the June 2016 Board meeting, through: <ul style="list-style-type: none"> • Influencing Ofwat, governments and companies by articulating the need for customers’ priorities to drive decisions; • Playing a leading role in contact with each water company and through membership of the CCGs so that companies are challenged to demonstrate that their proposals are reflective of customers’ priorities and expectations; • Influencing statutory programmes so that they are delivered in an efficient and sustainable way; and • Ensuring CCWater is well-equipped to deliver its PR19 objectives. - Provide guidance, advice, suggestions and critical challenge to the Policy & Research Team in respect of: <ul style="list-style-type: none"> • PR19 specific customer research; • Cost of Capital assessments/reports; and • Other regulatory issues for which CCWater might commission papers. <p><u>OUTCOME: CCWater is able to deliver its objectives for the 2019 Price Review.</u></p>	<ul style="list-style-type: none"> - The Board has agreed CCWater’s priorities and objectives for PR19. - The Regional Chairs and Wales Chair are members of CCGs to challenge companies’ business plan proposals and check that they reflect the priorities and expectations of customers. - The Regional Chairs and Wales Chair have submitted reports to the Board each month reflecting PR19 progress and any issues arising in their areas, and they have contributed each month to a PR19 dashboard. - The Board has received and discussed PR19 updates and reports, and has reviewed the PR19 dashboard on a monthly basis. - The Board has discussed specific aspects of PR19 in its Strategy events. - The Board considered research/consultancy reports on cost of capital, willingness to pay and data triangulation. - The Board lead for PR19 is a member of the PR19 Steering Group. - When signing off the CCWater 2018/21 Forward Work Programme the Board took into consideration the pressures of PR19 and ensured that these could be accommodated in the plan. - The Board agreed a process to allocate additional days to LCAs involved with PR19.
<p>6) Market Reform</p> <ul style="list-style-type: none"> - Set CCWater’s objectives for engagement with governments, regulators, the Market Operator, wholesalers and retailers about: <ul style="list-style-type: none"> • The non-household retail market, operative in England from 1 April 2017; • The potential development of a household retail market; and • Upstream competition, including the development of markets for water resources and bio-resources (sludge). - At a local level, represent customers’ interests to those wholesalers and retailers allocated to Committees - Assist the Market Reform Team in monitoring the operation of the non-household retail market through: <ul style="list-style-type: none"> • Customer research • Complaints – received by retailers and by CCWater. <p><u>OUTCOME: CCWater delivers its objectives in relation to market reform.</u></p>	<ul style="list-style-type: none"> - The Board agreed arrangements for liaising with non-household (NHH) retailers. - Individual Regional Chairs have taken responsibility for liaising with retailers largely based in their areas. - The Board has received and discussed NHH retail complaints updates and reports regularly. - The Board has agreed a process for taking escalated action against those retailers performing poorly on complaints. - The Board lead for market reform is a member of the Market Reform Strategy Group, contributing to discussions, research projects and consultation responses relating to both retail and upstream reforms, and has attended market reform conferences on behalf of CCWater.

Board performance and assessment of its own effectiveness

In 2017-18, in line with good practice, a review of the effectiveness of the CCWater Board was completed. The review examined the Board's performance against recognised good practice for public sector boards.

The review found that the Board was regarded as very effective by its members. Identified strengths were:

- The alignment of the Board's objectives and organisation's strategy to its remit and effective reporting on achievements against that strategy;
- The collective responsibility taken by the Board for the performance of the organisation;
- The process for the identification and review of the principal risks to CCWater; and
- the cohesive behaviour of the Board that combines support to management with appropriate challenge.

Areas for improvement identified included:

- awareness of the performance of CCWater relative to other bodies;
- awareness of the CCWater scheme of delegation;
- reporting of post-evaluation reviews for major projects and programmes to the Board; and
- Board diversity.

The Board has agreed a number of actions to address the areas for improvement identified.

Audit assurances**Internal audit**

CCWater's internal auditors, RSM, undertake a work programme to review risk management, internal control and governance. The Head of Internal Audit produces periodic reports on Internal Audit's findings, their assessment of risk management, corporate governance and control standards in the key corporate risks and delivery areas, and areas where action is required to address shortcomings. The Head of Internal Audit meets the Audit and Risk Management Committee quarterly to discuss the reports and consider progress in addressing major concerns. The internal auditors prepare an annual report which includes a professional opinion on the effectiveness of the overall systems of internal control and risk management within CCWater. The internal audit opinion is that 'The organisation had an adequate and effective framework for risk management, governance and internal control.'

RSM has been CCWater's Internal Auditor since 2012-13 and were re-appointed during 2017-18 following a competitive tender process. They provide an independent appraisal service for management by measuring and auditing the adequacy, reliability and effectiveness of management and financial control systems. During 2017-18, RSM reviewed the following areas of work:

- Governance - Committee Responsibilities,
- Fraud Policies,
- Business Continuity Planning,
- Key Financial Controls – Budget Control; and,
- Market Reform: Selected Project Controls

Across all Audits there were two medium recommendations and ten low recommendations. The cost of the internal audit for 2017-18 was £17,702 (2016-17, £15,460).

External audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the Water Industry Act 1991, as amended by the Water Act 2003. The Audit Certificate is on pages 46 to 48. The cost of providing audit services in respect of the Annual Report and Accounts 2017-18 was £23,000 (2016-17, £23,000). There was no external auditor remuneration for non-audit work.

Operational assurances

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

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

Corporate Governance

Code of Governance

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

Counter fraud, bribery and corruption

In 2017-18 CCWater has completed a number of pieces of work to counter fraud, bribery and corruption, including the review by Internal Audit of fraud policies and work to strengthen the Fraud Risk Register. Training on fraud, bribery and corruption is mandatory for all CCWater staff, Board members and LCAs. Staff have also been reminded about the need to be alert to these issues as they go about their work.

Effectiveness of whistleblowing arrangements

CCWater has had a Whistleblowing policy in place since 2011 and the policy was last updated in 2015. In 2017-18 no complaints were made under this policy. The policy is freely available to all staff via the intranet pages and forms part of the staff handbook. Staff were reminded about the policy and the protections in place for those who 'blow the whistle' on two occasions in 2017.

Ministerial Directions

There have been no Ministerial Directions in 2017-18.

Managing risk

CCWater has adopted a risk assurance approach to the management of risk. The assurance framework helps to increase the visibility of the assurance being provided in respect of key risks, to evaluate more effectively the appropriate level of assurance needed and to ensure that the internal audit programme focuses on the right things. In 2016-17 the Board agreed a risk appetite for CCWater and reviewed its risk management policy. The risk register is a live document that is reviewed regularly by the Executive Team. The register considers strategic, operational, financial, staffing and external risks. The risk register is reviewed regularly by the Audit and Risk Management Committee and the highest risks are considered by the Board annually.

Strategic risks for CCWater

In 2017-18 the most significant risks facing CCWater related to:

- a risk that CCWater does not demonstrate to Government the need for an effective, robust and independent consumer body for water consumers; and,
- a risk that CCWater becomes marginalised by other bodies or other organisations encroach on its remit causing it to be less influential.

CCWater managed these risks effectively in 2017-18 and they did not impact on the organisation's ability to deliver its Forward Work Programme or its relationship with stakeholders. During the year the Audit and Risk Management Committee was content with the way the organisation managed its risks and did not identify any areas of concern.

Information management and data security

CCWater's approach to information and data security is proportionate to the nature of the risks and the level of sensitive information held.

There have been no reported data losses in the course of the year and no incidents that required reporting to the Information Commissioner's Office (ICO).

Our policies and procedures are designed to ensure that all personal and sensitive information is safeguarded and kept securely. Our IT security is reviewed on an ongoing basis and audited on a periodic basis to ensure that it is robust and fit-for-purpose. Our IT Policies and Procedures are reviewed at least every three years.

We also have a number of controls in place to help ensure that information risks are identified and managed and that personal and other sensitive information is protected:

- Our corporate risk register includes an operational risk (O9) relating to the accidental disclosure of personal or business data, and this identifies the gross and net risk scores, controls and three levels of assurance. The risk register is normally reviewed by our Executive Team every six weeks, by the Audit & Risk Management Committee every quarter and by the Board annually;
- Managing information risks is incorporated within our Human Resources processes and all members of HR staff are made aware of their responsibilities;
- We have a nominated member of staff who is our Data Controller and Freedom of Information Officer, with responsibilities relating to the management of information and data and to handling Freedom of Information Act (FOIA) requests, Subject Access Requests (SARs) and requests under the Environmental Information Regulations (EIR).
- We publish an Information Charter, which explains how we handle personal data, together with our Freedom of Information Policy and Procedure and our Publication Scheme on our website;
- The personal information we hold is identified, marked and subject to controlled storage and disposal;
- All members of staff undertake mandatory Civil Service Learning (CSL) e-learning on information and data handling and risk awareness, and must complete an assessment to pass the course; and
- All new members of staff receive data security information as part of their induction process.

In addition to the above, we are also undertaking a project to ensure CCWater will adhere to the General Data Protection Regulation (GDPR) which comes into force in May 2018. This includes training key members of staff, for example those handling personal data relating to water customers or members of staff, and an external gap-analysis review of how we currently manage personal and sensitive information.

The Accounting Officer's review of effectiveness

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

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

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

5th June 2018

Remuneration and Staff Report

Staff remuneration

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

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

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

In line with other government organisations Defra asked CCWater to submit proposals to remove contractual obligation to annual performance-related pay uplifts by the end of 2016-17. As many posts have had this contractual right removed, Treasury are content that good progress has been made and no further action is required.

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

Pension liabilities

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

Remuneration of Board members

These tables are subject to audit.

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

Remuneration (salary and benefit in kind)

Single total figure of remuneration						
	Salary (£'000)		Benefits in kind (to nearest £100)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Council Chair						
Alan Lovell	50-55	50-55	3,200	3,900	50-55	50-55
Regional & Wales Chairs						
Bernard Crump	35-40	35-40	900	1,600	35-40	35-40
David Heath	35-40	35-40	-	-	35-40	35-40
Robert Light	35-40	35-40	-	-	35-40	35-40
Tony Redmond	35-40	35-40	-	100	35-40	35-40
Tom Taylor	35-40	35-40	2,400	1,900	35-40	35-40
Independent Members						
Philip M. Johnson	5-10	5-10	2,100	2,300	5-10	10-15
Julie Hill	5-10	5-10	200	300	5-10	5-10

fye = full year equivalent

Board member positions are non-pensionable.

Remuneration of senior managers

Disclosure of remuneration and pension interest of senior management (subject to audit). Whilst these posts are not civil service staff, we are required to disclose the equivalent civil service band.

Single total figure of remuneration										
Name, Role and Senior Civil Service Band Equivalent	Salary (£'000)		Bonus and Performance Payments (£'000)		Benefits in kind (to nearest £100)		Pension Benefits (to nearest £'000)		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Tony Smith Chief Executive SCS2	110-115	110-115	10-15	10-15	100	100	5,000	24,000	125-130	145-150
Phil Marshall Deputy Chief Executive SCS1	85-90	80-85	0-5	0-5	-	-	35,000	28,000	120-125	110-115
Deryck Hall Head of Policy & Research SCS1 Leaver May 2017	10-15	60-65	-	0-5	-	-	1,000	19,000	10-15	80-85
Carl Pegg Head of Consumer Relations & Communications SCS1	65-70	65-70	0-5	0-5	-	-	9,000	28,000	75-80	95-100
Marie Perry Head of Finance & Procurement SCS1	40-45*	40-45*	0-5	-	-	-	18,000	17,000	60-65	55-60
Mike Keil Head of Policy & Research SCS1 Started May 2017	60-65**	-	-	-	100	-	25,000	-	85-90	-
Amanda Caton – Head of External Communications SCS1 Started March 2018	0-5**	-	-	-	-	-	-	-	0-5	-

*FTE of this post is 70-75, the post is 0.6 FTE

** Full year effect of this salary is £70-75k

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

Salary

'Salary' includes gross salary, overtime, London weighting or London allowances, recruitment and retention allowances, private office allowances, and any other allowance to the extent that it is subject to UK taxation. Salary disclosures are based on accrued payments made by CCWater and thus recorded in these accounts.

Benefits in kind

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

Bonuses and Performance Payments

The Chief Executive is entitled to a contractual bonus payment. This relates to the achievement of his objectives. The bonus reported in 2017-18 relates to the achievements of performance targets in 2016-17. The comparative bonuses reported for 2016-17 relate to the performance in 2015-16.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The banded remuneration of the highest paid director in CCWater in the financial year 2017–18 was £120,000 – £125,000 (2016-17, £120,000 – £125,000). This was 4.6 times (2016-17, 4.3 times) the median remuneration of the workforce, which was £26,699 (2016-17, £28,201). This change was due to a pay and grading review of a small number of posts on becoming vacant, resulting in a downgrading of the post. In 2017-18, nil (2016-17, nil) employees received remuneration in excess of the highest paid director. Remuneration ranged from £17,271 to £122,949 (2016-17 £17,142 to £121,946).

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

Senior managers disclosure of pension information 12 months ended 31 March 2018

Name	Accrued pension at pension age as at 31 March 2018 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2018	CETV at 31 March 2017	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Tony Smith – Chief Executive	35-40	0-2.5	753	735	4
Phil Marshall – Deputy Chief Executive	15-20	0-2.5	183	152	17
*Deryck Hall – Head of Policy & Research leaver May 2017	30-35 plus a lump sum of 90-95	0-2.5 plus a lump sum of 0-2.5	679	656	1
Carl Pegg – Head of Consumer Relations and Communications	40-45	0-2.5	734	682	7
Marie Perry – Head of Finance & Procurement	0-5	0-2.5	20	10	7
Mike Keil – Head of Policy	0-5	0-2.5	14	-	10

CETV – Cash Equivalent Transfer Value

* These figures are gross value at 31/5/17 and will be reduced due to early retirement

Contingent labour - temporary staff

During 2017-18 CCWater spent £276k (2016-17, £279k) on temporary staff to cover vacancies and consultancy costs.

Civil Service Pensions

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

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

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

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

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

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

Cash Equivalent Transfer Values

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

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

Real increase in CETV

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

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

Analysis of Board members and staff, by gender and ethnicity

As a public body CCWater ensures equal opportunity for employment, regardless of race, sex, sexual orientation, gender reassignment, age, marriage or civil partnership, disability, pregnancy and maternity and religion or belief. CCWater operates a guaranteed interview scheme, which guarantees an interview to anyone with a disability whose application meets the minimum criteria for the post. Once in post, employees with disabilities are provided with reasonable adjustments they may need to carry out their role. All permanent staff are recruited on merit through fair and open competition.

As at 31 March 2018:

Number of :	Staff (incl. SCS grades)	Board (excl CEO)	Local Consumer Advocates	SCS Equivalent
Total	71	8	22	6
Women	44	1	13	2
Ethnic minority	10	0	1	0
Disability	3	1	1	0

As at 31 March 2017:

Number of :	Staff (incl. SCS grades)	Board (excl CEO)	Local Consumer Advocates	SCS Equivalent
Total	71	8	22	5
Women	45	1	13	1
Ethnic minority	7	0	2	0
Disability	3	1	1	0

Staff costs comprise:

	2017-18			2016-17
	Permanently Employed Staff**	Others***	Total	Total
	£000s	£000s	£000s	£000s
Wages and salaries	2,253	472	2,725	2,665
Social security costs	229	27	256	261
Other pension costs	458	-	458	432
Other staff costs ****	-	-	-	(19)
Total net costs*	2,940	499	3,439	3,339

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

** Includes Casual staff

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

**** Reversal of 2015-16 redundancy accrual

Salary

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

Pension

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

For 2017-18, employers' contributions of £448,461 were payable to the PCSPS (2016-17, £421,561) at one of four rates in the range 20% to 24.5% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 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 £8,718 (2016-17, £9,754) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £292 (2016-17, £287), 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £730 (2016-17, £720). Contributions prepaid at that date were nil.

There were no compensation scheme payments made for early departure in this year or the previous year. There were no early retirements on ill health grounds during 2017-18 (Nil in 2016-17). Ill health retirement costs are met by the pension scheme.

Average numbers of persons employed

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

Number	2017-18	2016-17
Directly Employed	<u>70</u>	<u>70</u>
Total	<u>70</u>	<u>70</u>

Average number of public appointees

Number	2017-18	2016-17
Board	8	8
Local Consumer Advocates	<u>22</u>	<u>22</u>
Total	<u>30</u>	<u>30</u>

Sickness absences

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

During 2017-18 the number of working days lost was 5.18 per annum per employee compared to 3.7 days for 2016-17. This compares to the Chartered Institute of Personnel and Development (CIPD) average of 8.5 days for the public sector (CIPD Absence Management report 2016).

Employee involvement

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

Reporting of Civil Service and other compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table. The negative exit package in 2016-17 relates to cost which was provided for in 2015-16 but did not materialise because the individual transferred to another government department.

The following information was subject to audit.

Exit package cost band	Number of compulsory redundancies	2017-18 Number of other departures agreed	Total number of exit packages by cost band	2016-17 Total number of exit packages by cost band
<£10,000	-	-	-	-
£10,000 - £25,000	-	-	-	(1)
£25,000 - £50,000	-	-	-	-
£50,000 - £100,000	-	-	-	-
£100,000- £150,000	-	-	-	-
£150,000- £200,000	-	-	-	-
Total number of exit packages	-	-	-	(1)
Total resource cost /£000	-	-	-	(19)

Off-payroll engagements

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

There were no off-payroll engagements as of 31 March 2018, for more than £245 per day and that had lasted for longer than six months. (2016-17 Nil)

There were no new engagements of over six months in duration, for more than £245 per day in the period between 1st April 2017 and 31st March 2018. (2016-17 Nil)

There were no off payroll engagement of Board members or senior officials with significant financial responsibility, during the financial year. (2016-17 Nil)

The total number of individuals on payroll that have been deemed Board members and / or officials with significant financial responsibility is 15 (13 in 2016-17)

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

Voluntary exits

There were no voluntary exits during 2017-18. (2016-17 Nil)

Compulsory exits

There were no compulsory exits in 2017-18. (2016-17 Nil)

Parliamentary Accountability and Audit Report

The following notes were subject to audit:

Regularity of Expenditure

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding CCWater's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum and *Managing Public Money*, issued by HM Treasury.

Losses and Special Payments

There were no losses or special payments reportable during the year (nil during 2016-17).

Remote Contingent Liabilities IAS 37

In addition to contingent liabilities reported within the meaning of IAS 37, the NDPB also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability. CCWater does not have any remote contingent liabilities as at 31 March 2018.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

5th June 2018

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Consumer Council for Water for the year ended 31 March 2018 under the Water Industry Act 1991 as amended by the Water Act 2003. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Consumer Council for Water's affairs as at 31 March 2018 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Water Industry Act 1991 as amended by the Water Act 2003 and Secretary of State directions issued thereunder.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Consumer Council for Water in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Accounting Officer for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Water Industry Act 1991 as amended by the Water Act 2003.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Consumer Council for Water's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consumer Council for Water's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Chief Executive as Accounting Officer is responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Water Industry Act 1991 as amended by the Water Act 2003;
- in the light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, I have not identified any material misstatements in the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date June 2018

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

FINANCIAL STATEMENTS

Statement of Comprehensive Net Expenditure

for the period ended 31 March 2018

	Note	2017-18	2016-17
		<u>£000s</u>	<u>£000s</u>
Staff costs	2.1	3,439	3,339
Purchase of goods and services	3	1,700	1,850
Depreciation, amortisation and impairment	3	21	11
Total operating expenditure		5,160	5,200
		<u>5,160</u>	<u>5,200</u>
Net operating expenditure		<u>5,160</u>	<u>5,200</u>
		<u>5,160</u>	<u>5,200</u>
Comprehensive net expenditure for the year		5,160	5,200

There is no other comprehensive net expenditure.

The notes on pages 53 to 61 form part of these accounts.

Statement of Financial Position

as at 31 March 2018

	Note	2017-18 £000s	2016-17 £000s
Non-current assets			
Property, plant and equipment	4	64	76
Intangible assets	5	-	-
Total non-current assets		64	76
Current assets			
Other current assets	6	77	105
Cash and cash equivalents	7	572	602
Total current assets		649	707
Total assets		713	783
Current liabilities			
Trade and other payables	8,9	(467)	(623)
Total current liabilities		(467)	(623)
Total assets less current liabilities		246	160
Non-current liabilities			
Provisions	8,9	(69)	(65)
Total non-current liabilities		(69)	(65)
Total assets less total liabilities		177	95
Taxpayers' equity and other reserves:			
General fund		177	95
Total equity		177	95

The financial statements on pages 49 to 60 were approved by the Board on 5 June 2018 and were signed on its behalf by;

Tony Smith
Chief Executive and Accounting Officer

5 June 2018

The notes on pages 53 to 61 form part of these accounts.

Statement of Cash Flows

for the period ended 31 March 2018

	Note	2017-18	2016-17
		<u>£000s</u>	<u>£000s</u>
Cash flows from operating activities			
Net operating cost		(5,160)	(5,200)
Adjustments for non-cash transactions	3	23	11
(Increase)/decrease in trade and other receivables	6	28	19
Increase/(decrease) in trade and other payables	8	(160)	156
Increase/(decrease) in provisions	9	8	(18)
Net cash outflow from operating activities		<u>(5,261)</u>	<u>(5,032)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(9)	(74)
Purchase of intangible assets	5	-	-
Net cash outflow from investing activities		<u>(9)</u>	<u>(74)</u>
Cash flows from financing activities			
Grants from sponsoring department		5,240	5,130
Net financing		<u>5,240</u>	<u>5,130</u>
Net increase/(decrease) in cash and cash equivalents in the period		(30)	24
Cash at the beginning of the period	7	602	578
Cash at the end of the period	7	<u>572</u>	<u>602</u>

The notes on pages 53 to 61 form part of these accounts.

Statement of Changes in Taxpayers' Equity
for the period ended 31 March 2018

	General Fund £000s
Balance at 31 March 2016	165
Grant from sponsoring department	5,130
Comprehensive net expenditure for the year	(5,200)
Balance at 31 March 2017	95
Grant from sponsoring department	5,240
Comprehensive net expenditure for the year	(5,160)
Non-cash adjustments	
Notional charge and other non cash items	2
Balance at 31 March 2018	177

The notes on pages 53 to 61 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Consumer Council for Water for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Consumer Council for Water are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Property, plant and equipment

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

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

1.3 Depreciation

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

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

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

1.4 Leases

CCWater had no finance leases as at 31 March 2018 (nil at 31 March 2017). Rentals due under operating leases are charged over the lease term on a straight-line basis, or on the basis of actual rental payable where this fairly reflects usage.

1.5 Grants receivables

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

1.6 Value added tax

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

1.7 Provisions

CCWater provides for legal or constructive obligations, which are of uncertain timing, or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate.

1.8 Contingent liabilities IAS 37

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

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

1.9 Pensions

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

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

2 Staff costs

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

2.1 Staff costs comprise:

	2017-18			2016-17
	Permanently Employed Staff**	Others***	Total	Total
	£000s	£000s	£000s	£000s
Wages and salaries	2,253	472	2,725	2,665
Social security costs	229	27	256	261
Other pension costs	458	-	458	432
Other staff costs ****	-	-	-	(19)
Total net costs*	2,940	499	3,439	3,339

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

** Includes Casual staff

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

**** Reversal of 2015-16 redundancy accrual

3 Programme Costs

	2017-18	2016-17
	<u>£000s</u>	<u>£000s</u>
Rentals under operating leases:		
Accommodation	323	325
IT software	158	150
Office equipment	2	2
	<u>483</u>	<u>477</u>
Non cash items:		
Depreciation	21	11
Notional charge	2	-
Increase/(decrease) in Provision	8	(18)
	<u>31</u>	<u>(7)</u>
Other expenditure:		
Research & consultancy	461	586
Personnel Overheads	243	288
Training	35	63
Publicity, Library & Parliament	97	92
Computer Services	68	78
Office Support costs	148	131
Auditors' remuneration*	23	23
Other accommodation costs	132	130
	<u>1,207</u>	<u>1,391</u>
Total	<u>1,721</u>	<u>1,861</u>

* During the year there was no remuneration for non-audit work (nil 2016-17).

4 Property, plant and equipment

	Furniture fixtures and fittings £000s	Leasehold improvements £000s	IT equipment £000s	Total £000s
Cost or valuation				
At 1 April 2017	11	278	89	378
Additions	-	9	-	9
Disposals	-	-	-	-
At 31 March 2018	11	287	89	387
Depreciation				
At 1 April 2017	-	215	87	302
Charged in year	1	18	2	21
Disposals	-	-	-	-
At 31 March 2018	1	233	89	323
Carrying value at 31 March 2018	10	54	-	64
Carrying value at 31 March 2017	11	63	2	76
	Furniture fixtures and fittings £000s	Leasehold improvements £000s	IT equipment £000s	Total £000s
Cost or valuation				
At 1 April 2016	-	215	89	304
Additions	11	63	-	74
Disposals	-	-	-	-
At 31 March 2017	11	278	89	378
Depreciation				
At 1 April 2016	-	215	76	291
Charged in year	-	-	11	11
Disposals	-	-	-	-
At 31 March 2017	-	215	87	302
Carrying value at 31 March 2017	11	63	2	76
Carrying value at 31 March 2016	-	-	13	13

5 Intangible assets

	Software Licences £000s
Cost or valuation	
At 1 April 2017	172
Additions	-
Disposals	-
At 31 March 2018	172
Amortisation	
At 1 April 2017	172
Charged in year	-
Disposals	-
At 31 March 2018	172
Carrying value at 31 March 2018	-
Carrying value at 31 March 2017	-
Cost or valuation	
At 1 April 2016	172
Additions	-
Disposals	-
At 31 March 2017	172
Amortisation	
At 1 April 2016	172
Charged in year	-
Disposals	-
At 31 March 2017	172
Carrying value at 31 March 2017	-
Carrying value at 31 March 2016	-

6 Trade receivables, financial and other assets

	2017-18	2016-17
	£000s	£000s
Amounts falling due within one year:		
Other receivables	-	17
Advances*	5	6
Prepayments and accrued income	72	82
	77	105

*Advances comprise of 8 travel season ticket loans (2016-17 10 travel season tickets)

7 Cash and cash equivalents	2017-18	2016-17
	<u>£000s</u>	<u>£000s</u>
Balance at 1 April	602	578
Net change in cash balances	(30)	24
Balance at 31 March	<u>572</u>	<u>602</u>
The following balances at 31 March were held at :		
Government Banking Services	<u>572</u>	<u>602</u>
Balance at 31 March	<u>572</u>	<u>602</u>

8 Trade payables and other current liabilities	2017-18	2016-17
	<u>£000s</u>	<u>£000s</u>
Amounts falling due within one year:		
Trade payables	2	25
Accruals and deferred Income*	342	482
Other tax and social security	70	68
Other payables	49	48
	<u>463</u>	<u>623</u>

*Within accruals £4k (2016-17 £5k) relates to rent free premises for Victoria Square House of which nil relates to falling due after one year.

9 Provisions for liabilities and charges

	Leasehold Property Dilapidations £000s	Service Charges £000s	Total £000s
Balance at 1 April 2017	65	-	65
Provided in year	2	6	8
Provision not required written back	-	-	-
Provision utilised in year	-	-	-
Unwinding of discount	-	-	-
Balance at 31 March 2018	67	6	73

Analysis of expected timing of discounted cash flows

	£000s
Not later than one year	4
Later than one year and not later than five years	69
Later than five years	-
Balance at 31 March 2018	73

	Leasehold Property Dilapidations £000s	Pay Award £000s	Total £000s
Balance at 1 April 2016	65	18	83
Provided in year	-	-	-
Provision not required written back	-	-	-
Provision utilised in year	-	(18)	(18)
Unwinding of discount	-	-	-
Balance at 31 March 2017	65	-	65

Analysis of expected timing of discounted cash flows

	£000s
Not later than one year	-
Later than one year and not later than five years	65
Later than five years	-
Balance at 31 March 2017	65

9.1 Leasehold Property Dilapidations

The provision for leasehold property dilapidations relates to the leased office premises in Birmingham, which on termination of the lease would have to be restored to their original state. The provision is an estimate of the cost of these works. The lease expires in April 2021.

10 Capital commitments

	2017-18 £000s	2016-17 £000s
Capital commitments as at 31 March not otherwise included in these financial statements		
Leasehold improvements	-	9
	-	9

11 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 is relating to rent for Victoria Square House. This is based on the current information available.

	2017-18	2016-17
	<u>£000s</u>	<u>£000s</u>
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	202	202
Later than one year and not later than five years	413	615
Later than five years	-	-
	<u>615</u>	<u>817</u>
Other:		
Not later than one year	64	158
Later than one year and not later than five years	6	63
Later than five years	-	-
	<u>70</u>	<u>221</u>

Other represents the agreement with Capita for the IT managed service and photocopier contract.

12 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities as at 31 March 2018 (nil as at 31 March 2017).

13 Losses and special payments

There were no losses or special payments reportable during the year (nil during 2016-17).

14 Financial instruments

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

15 Related party transactions

CCWater received grant-in-aid from Defra during 2017-18 of, £5.24m (2016-17: £5.13m). Defra and the Welsh Government are CCWater's sponsoring departments.

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

CCWater had a Memorandum of Terms of Occupation (MOTO) agreement with Defra for the use of the Birmingham and Cardiff offices. No Board member, key manager or other related parties has undertaken any material transactions with CCWater during the year.

16 Events after reporting period date

There were no reportable events after the 31 March 2018.

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

17 Accounting Standards in Issue, not yet effective

IFRS 9 – Financial instruments - becomes effective for 2018-19 onwards but is not expected to have a material impact on the financial statements.

IFRS 15 – Revenue – becomes effective from 2018-19 onwards but is not expected to have a material impact on the financial statements.

IFRS 16 – Leases - becomes effective from 2019-20 onwards. The main proposal is for all appropriate lessees to bring all leases onto the balance sheet and eliminate the current lessee accounting treatment for operating leases and finance leases under IAS 17.

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