
Consumer Council for Water

Annual Report and Accounts 2012-13

For the year ended 31 March 2013

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

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ANNUAL REPORT

INTRODUCTION

The Consumer Council for Water (CCWater) is a non-departmental public body established on 1 October 2005 under the Water Industry Act 1991 as amended by the Water Act 2003, to represent consumers of water and sewerage services in England and Wales. It replaced the WaterVoice committees, which were part of the industry economic regulator, the Water Services Regulator Authority (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 customers and customers that are not able to switch suppliers under the Act's competition measures;
- to handle and investigate consumer complaints in respect of water and sewerage companies;
- to obtain and keep under review information about consumer matters and the views of consumers on such matters;
- to make proposals, provide advice and information and represent the views of consumers to public authorities, water and sewerage companies and others whose activities may affect the interests of consumers;
- to provide advice and information to consumers;
- to publish statistical information about complaints to and about water companies;
- to investigate any matters of interest to consumers that are not necessarily the subject of a complaint.

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

This Annual Report and Accounts covers the period 1 April 2012 to 31 March 2013.

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

MANAGEMENT COMMENTARY

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

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

Development and Performance

Considerable effort went into the delivery of the organisation's Operational Business Plan during 2012-13 including work on delivering, as part of the companies Customer Challenge Groups, greater customer involvement in the 2014 price review which will set price limits for 2015-20.

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

Since 2005, CCWater has had a number of successes including:

£1 billion – our work contributed to the 2009 price review being better for customers by the equivalent of over £50 per customer, compared to the 2004 review.

£306 million – we helped return this to customers, consisting of:

- **£290 million** - the extra investment, customer assistance or price reductions we secured with water companies over the last four years. Recently, one company has committed to bring forward investment in resilience schemes worth around £150m while another has provided £3m of additional funding for customer assistance schemes.
- **£16 million** – the amount we helped return to domestic and business customers in compensation and rebates since 2005.

290,000 – complaints and enquiries about water companies handled by us since 2005.

40 percentage points reduction from the 2007-08 peak in customer complaints to water companies due to CCWater's continued pressure on water companies to get it right first time.

22 per cent improvement in customer satisfaction to 75 per cent in 2011-12 with CCWater's quality of service when resolving complaints against water companies, compared to what we inherited in 2005.

Almost four times as many customers signing up to the WaterSure scheme for vulnerable consumers since CCWater's project in 2007 to rebrand the scheme and introduce a standard simplified application form.

73 per cent increase in consumers registered on companies' Special Assistance Registers since 2008, when we focused on encouraging companies to raise awareness of the availability of the registers.

£50 per annum for each household customer of South West Water from April 2013 from Government after we, alongside other parties, helped the UK Government recognise the exceptionally high bills for customers of South West Water created by underinvestment prior to privatisation.

21p – approximately what we will cost each water bill payer in 2013-14, down from almost 25p in 2008-09.

A full commentary on the achievements of the Consumer Council for Water for 2012-13 is published in the Annual Review and CCWater's Review of Achievements 2012-13. This document is available on CCWater's website.

CCWater continues to focus on what consumers say is most important - a safe and reliable water supply and an effective sewerage system at a fair and affordable price. CCWater monitors its activities against its Forward Work Programme and Operational Business Plan which include measurable performance targets and timings.

Supporting Customers

Water companies should be resolving customers' complaints. However, where this is not possible CCWater will step in. This can involve providing advice to enable customer's to resolve the matter themselves (enquiries), to corresponding with companies on the customers behalf and formal investigations (complaints). During the year whilst CCWater has received slightly less complaints the nature of these complaints have been more complex requiring additional resources to resolve, and as minimum meet performance and satisfaction Operational Business Plan (OBP) targets.

| Customer Contacts | 2011-12 | 2012-13 |
|--------------------------|----------------|----------------|
| Enquiries | 12,486 | 12,355 |
| Complaints | 11,338 | 10,410 |
| Investigations | 22 | 7 |

CCWater's performance against its Operational Business Plan (OBP) on dealing with complaints about water companies is shown below:

| Complaint Handling Performance | 2011-12 | | 2012-13 | |
|---------------------------------------|-------------------|-----------------|-------------------|-----------------|
| | OBP Target | Achieved | OBP Target | Achieved |
| 5 day actioned | 99.5 % | 99.97 % | 99.5 % | 99.5 % |
| 20 day closure | 77 % | 83.9 % | 79 % | 79.7 % |
| 40 day closure | 90 % | 93.5 % | 90 % | 91.6 % |

| Customer Satisfaction with all aspects of CCWater's complaint handling | 2011-12 | | 2012-13 | |
|---|-------------------|-----------------|-------------------|-----------------|
| | OBP Target | Achieved | OBP Target | Achieved |
| Outcome | 61 % | 64.3 % | 61 % | 63.8 % |
| Speed | 78 % | 83.4 % | 79 % | 82.7 % |
| Service | 72 % | 74.5 % | 73 % | 76.7 % |
| Courtesy | 91 % | 94.1 % | 92 % | 94.2 % |

In addition, CCWater provides customer support via its website. During 2012-13 CCWater's website had over 271,000 hits compared with 179,620 in 2011-12. Of particular interest to customers was CCWater's water meter calculator which identifies whether a customer would save money by paying for their water by a meter. This may have potentially saved customers over £4.4m.

Trends and Factors

CCWater continued to provide specialised consumer advocacy and support across a wide range of areas and helped ensure water consumers' views were central to the way the water industry was managed and regulated. However, there were four key areas of focus in terms of our work during the year as follows:

Price Review 2014

CCWater ensured water companies were fully engaged with their customers as companies have developed their future business plans. CCWater worked within each water companies' Customer Challenge Group and the Wales PR14 Forum to ensure that the outcomes local customers want and need are heard and accounted for by the water companies as they set their long-term strategic and five-year business plans. This has involved ensuring that the water companies' customer research has followed our principles of good customer engagement, is representative, provides convincing evidence of customers' preferences in terms of service and price, and is being interpreted correctly by companies. CCWater has also worked with Ofwat in the development of their methodology for the price review. This will be focused on incentivising companies to concentrate on outcomes while making sure that all companies are efficient.

Competition

The second area of focus was on pressing for customers to be the primary consideration as Government and regulators develop the conditions for a wider retail market for non-household customers. This included CCWater giving oral evidence and written submissions to the EFRA Committee, and giving oral evidence to the Environment and Sustainability Committee of the National Assembly for Wales. CCWater has also provided input to Ofwat, DEFRA and Welsh Government as they consider how this market can be opened up and effectively regulated. CCWater wants to ensure that the effect of greater competition on both eligible and non-eligible customers is understood, with non-eligible customers protected against any detrimental effects from market reform. CCWater has also sought to ensure that customers who are eligible for a choice of supplier are protected against risks such as mis-selling, and that all non-household customers receive, as a minimum requirement, a default tariff and level of service that represents good value.

CCWater already supports business customers, helping to protect their interests in the context of a limited competitive market. 10 per cent of customer complaints to CCWater are from business customers. CCWater also holds frequent meetings for business customers to hear and resolve their issues.

Affordability

The affordability of water charges also remained a key area of work. In line with the Secretary of State's guidance CCWater has worked closely with water companies in England as they developed proposals for customer-funded social tariffs, and to ensure that they consulted effectively with customers and took account of their views. As a result of that work Wessex, Bristol and South West Water implemented customer funded social tariffs from April 2013. CCWater also continued to input into the development of the Welsh Government's guidance on Social Tariffs, which was published, in March and responded to DEFRA's consultation on changes to the WaterSure financial assistance scheme, to take account of the introduction of the Universal Credit.

Fair Charging

The final key focus area, in line with the recommendations of the 2011 Gray Review, was on fair charging. CCWater worked with water companies as they developed their 2013-14 charges schemes and were successful in influencing a number of companies to adopt our recommendations.

Sustainable Development

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

CCWater is committed to recycling; paper, glass, batteries, plastic and aluminum cans are recycled at all of its offices. Colour photocopying has reduced by 56 per cent and black and white copies by 43 per cent since 2009-10. All CCWater's photocopying paper is made from recycled paper. Information on the use of resources within CCWater's offices is provided to the Executive Team and the Board on a quarterly basis. As CCWater is not the primary occupier in any of its offices it can only encourage its landlords to adopt water saving initiatives. During 2012-13 CCWater moved its Bristol, Cambridge and Manchester offices to co-locate with other government offices. CCWater now shares the Birmingham office with the Equality and Human Rights Commission. These changes have reduced CCWater's office space by 30 per cent from 1647 sq. metres in 2011-12 to 1147 sq. metres at the end of 2012-13.

However, CCWater makes a more significant impact by encouraging water companies to adopt more sustainable ways of working. The water industry's operations account for about 5 million tonnes of carbon dioxide emissions per year - almost one per cent of UK greenhouse gas emissions. In the face of the stretching UK target to reduce greenhouse gases by 80 per cent by 2050, the water companies have an important part to play to achieve this target.

CCWater continues to discuss with companies their plans to reduce carbon emissions, and is encouraging the water industry and their regulators to further consider how to replace energy and carbon intensive treatment processes. Sustainable drainage systems, for example, offer a way to reduce the volume of rainwater entering sewerage systems while also reducing flooding. Catchment management initiatives improve water quality at the source by tackling nutrient and pesticide pollution.

However, almost nine-tenths of the greenhouse gas emissions associated with water use occur in the home, through hot water use – from baths and showers, household appliances and cooking. CCWater is working with Waterwise, the Energy Savings Trust and water companies to inform customers that reducing hot water use helps the environment and could help reduce water and energy bills.

Social and Community Issues

CCWater engages with all water consumers, including those who are disabled or chronically sick, of pensionable age, on low incomes and those living in rural areas. This helps develop a real understanding of their needs and work in line with their specific interests.

During 2012-13 CCWater has:

- engaged with, and advised, several companies as they have developed proposals for the introduction of customer funded social tariffs and consulted consumers on their plans;
- continued to work with companies to help them improve take-up of their WaterSure tariff. Last year take up increased by a further 21 per cent. Almost four times as many customers are signed up to WaterSure since CCWater's project in 2007 to rebrand the scheme and introduce a standard simplified application form.
- responded to the Government's consultation on proposals to amend WaterSure to take account of the introduction of the Universal Credit Scheme;
- continued to raise consumer awareness of financial assistance schemes and opportunities to save money on their water and sewerage bills. Our new online water meter bill calculator identified potential savings of £4.4m for customers during 2012-13.
- with the companies, produced a 13.3 per cent rise in the number of consumers registered on companies Special Assistance Registers for 2011-12 to 179,620. This is a total increase of over 73 per cent in numbers on the Register since we began, in 2008, to focus on encouraging companies to raise awareness of the availability of the Registers.

Future Development, Performance and Position

In 2013-14 CCWater will be undertaking work as outlined in its Forward Work Programme and Operational Business Plan. To ensure performance and delivery is as efficient and effective as possible CCWater will continue the work progress reporting system – together with financial, planning, monitoring, control and reporting mechanisms.

DEFRA / Welsh Government Review of CCWater

During 2011-12 Government concluded that CCWater would not be included in Public Bodies legislation which allows the Government to change the number and responsibilities of Arm's Length Bodies (ALBs). However, as part of the wider review of ALBs, DEFRA and the Welsh Government asked David Gray to consider how effective the current arrangements were in protecting water customers. After his review began, the Government announced its intentions to make changes to the institutional landscape of consumer representation across a range of sectors.

David Gray concluded that CCWater should be retained and recognised that there were risks in making substantial changes to the approach in the water industry at a time when significant changes to the regulatory arrangements were being considered.

In Welsh Government's Written Statement on Water Policy in Wales, published in December 2011, the Minister said: "In relation to the Consumer Council for Water, the Gray review team strongly recommended to the UK and Welsh Government that effective consumer representation is required in the water sector for the foreseeable future and the functions currently undertaken by the Consumer Council for Water should be retained".

The Water White paper published in January 2012 confirmed that DEFRA and the Welsh Government will maintain CCWater's role until it had completed its current price review work. The UK Government will further consider the benefits of moving CCWater to a new single consumer body in 2014.

In June 2012 the EFRA Select Committee in its second report on the Water White Paper said: "It is essential that there is a strong voice to represent the interests of consumers through the far-reaching reforms to the water sector to be implemented over the coming years. We recommend that DEFRA commit to retain the Consumer Council for Water in its current form for a period of three years after the White Paper's market reforms are implemented".

Support Services

CCWater looks for value for money in all of its activities. During 2012-13, CCWater's internal auditors confirmed that we had correctly applied the Government's spending controls.

Since April 2010, with the exception of information technology (IT) and payroll, all support services have been provided in-house. IT Infrastructure is provided under an agreement with Northgate Information Systems. CCWater's web-based complaints management system is provided by Oracle and website and intranet is hosted by Evolve/Box UK. During 2012-13 CCWater has updated some of its IT infrastructure, most of which was over seven years old. CCWater has also updated its regional telephony which has enabled us to better manage incoming customer calls.

During the year, to make better use of resources and to reduce costs, CCWater has co-located three of its offices, Bristol, Manchester and Cambridge, within other Government organisations.

Financial Commentary

The main financial highlights are summarised below:

| Operating costs summary | 2012-13 | 2011-12 |
|--------------------------------|---------------------|---------------------|
| | £000s | £000s |
| Income | | |
| Operating Income | 48 | 18 |
| | <u>48</u> | <u>18</u> |
| Expenditure | | |
| Operating Costs | 5,373 | 4,778 |
| | <u>5,373</u> | <u>4,778</u> |
| Net Operating Costs | <u>5,325</u> | <u>4,670</u> |

The budget for CCWater during 2012-13 was set at £5.605m. CCWater managed this by delegating the budget to individual budget holders, based on Forward Work Programme activities. Expenditure is monitored against budget on a monthly basis with formal quarterly budget holders meetings. During 2012-13 CCWater has continued to look for new and smarter ways of achieving its FWP objectives.

Equal Opportunities Policy

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

At the end of the financial year:

| | Staff | Board | Local Consumer Advocates |
|-----------------|-------|-------|--------------------------|
| Women | 57% | 33% | 41% |
| Ethnic minority | 11% | 22% | 18% |
| Disability | 1% | 0% | 0% |

Health and Safety

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

The Health and Safety policy statement describes CCWater's responsibilities and objectives and is available to all those working for CCWater. All employees received Health and Safety training online during the year.

Payment of Suppliers

CCWater achieved 100 per cent against the Government target for paying agreed invoices within 30 days of receipt during 2012-13. The corresponding figure for 2011-12 was 100 per cent.

In October 2008, Government set a new challenge to pay all suppliers within 10 working days with effect from 1 December 2008. During 2012-13 CCWater paid 99 per cent of undisputed bills within this deadline. The corresponding figure for 2011-12 was 97 per cent. In May 2010 all central government departments were asked to make 80 per cent of undisputed payments within 5 working days. During 2012-13 CCWater achieved 92 per cent compared to 80.58 per cent in 2011-12.

Terms are agreed with each supplier individually (generally over 30 days) with a view to make payment within the Government target of 10 days. Creditors' days were 1 day at 31 March 2013 compared to 7.5 days at 31 March 2012.

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 and, where possible, to provide them with support which will enable them to recover their health and attend work regularly. CCWater has an occupational health service and an employee assistance counselling service.

During 2012-13, the number of working days lost was 10.85 per annum per employee compared to 9.06 days for 2011-12. This increase is due to higher long term absenteeism and higher short term absence during the winter months of 2012. This compares to the Chartered Institute of Personnel and Development (CIPD) average of 9.1 days in 2011-12 for the public sector (2012-13 data not yet available).

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 full induction training, and a programme of specialist training is given to all staff to develop appropriate skills.

Going Concern

The accounts for 2012-13 have been prepared on a going concern basis. DEFRA and the Welsh Government have agreed CCWater's 2013-14 revenue budgets, CCWater is in 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

4 June 2013

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Remuneration Report

Senior Management Team

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

| | |
|-------------|---|
| Tony Smith | Chief Executive |
| Deryck Hall | Head of Policy & Research |
| Jane Morris | Head of Corporate Services & Strategy |
| Carl Pegg | Head of Consumer Relations & Public Relations |

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

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

Staff Remuneration

Pay progression for staff is performance related; it is linked to awards assessed at annual appraisal using CCWater's personal review system. The percentage increase to CCWater's pay bill that is available for 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 Chief Executive and senior management oversee the consistency and fairness of the PRP process.

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

During 2012-13 there have been no civil service and other compensation schemes or exit packages awarded to staff. All staff and public appointees (Board members and Local Consumer Advocates) are paid via CCWater's payroll.

Pension Liabilities

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

The following information was subject to audit.

Remuneration of Board Members

| | 2012-13 | | 2011-12 | |
|---|-----------------------|---|----------------------|---|
| | Remuneration £000 | Benefits in kind (to nearest £100) | Remuneration £000 | Benefits in kind (to nearest £100) |
| Dame Yve Buckland (Chair) | 45-50 | 1,600 | 45-50 | 1,900 |
| Dame Yve Buckland (Central & Eastern Chair)** | 10-15 | - | 0-5 | - |
| Professor Bernard Crump (from 1 February 2013) | 5-10 (fye* 35-40) | 300 | - | - |
| David Bland (left 31 January 2013) | 25-30 (fye* 35-40) | - | 35-40 | - |
| Sir Tony Redmond (from 1 March 2013) | 0-5 (fye* 35-40) | - | - | - |
| Andrea Cook*** | 50-55 | - | 35-40 | - |
| Charles Howeson*** | 50-55 | 300 | 35-40 | 300 |
| Diane McCrea*** | 50-55 | 200 | 35-40 | 200 |
| Michael Barnes | 5-10 | 600 | 5-10 | 700 |
| Colette Isaaks (left 31 August 2012) | 0-5 (fye* 5-10) | 200 | 5-10 | 600 |
| Timothy Hornsby | 5-10 | 500 | 5-10 | 600 |
| Narendra Makanji | 5-10 | 800 | 5-10 | 900 |

*full year equivalent

** From 1 December 2011 to 28 February 2013 Dame Yve Buckland received one additional day remuneration per week for covering the Central and Eastern Chair post. From 1 March 2013 Dame Yve Buckland received an extra day per week remuneration as she continued to chair two or more Customer Challenge Groups.

*** From 1 January 2012, those chairing two or more Customer Challenge Groups (CCGs) received additional annual remuneration of £11,789 in respect of one extra day's work a week. This additional remuneration reflects the significant extra work involved in chairing CCGs and will cease upon completion of the work of CCGs. Back pay of £2,936 relating to work undertaken in chairing CCGs during the period January to March 2012 was also paid in 2012-13 and is included in the above table. Normal annual remuneration for those chairing both Committees and CCGs is £47,109.

Board members were appointed by the Secretary of State and Welsh Government on or shortly after 1 October 2005, for periods of up to four years with a maximum total period of ten years. The level of salary depends on the amount of work each Board member is involved in. Board member posts are non-pensionable. New members have been appointed for four years.

Remuneration of Senior Managers

Disclosure of Salary Information 12 months ended 31 March 2013:

| Name | 2012-13 | | | 2011-12 | | |
|--|--|---------------------|------------------------------------|--|--------------------------------|------------------------------------|
| | Salary (exec. Non-consolidated performance pay £000) | Bonus Payments £000 | Benefits in kind (to nearest £100) | Salary (exec. Non-consolidated performance pay £000) | Bonus Payments (Restated) £000 | Benefits in kind (to nearest £100) |
| Tony Smith Chief Executive | 105-110 | 10-15 | - | 105-110 | 10-15 | 100 |
| Deryck Hall Head of Policy & Research | 55-60 | - | - | 55-60 | - | - |
| Jane Morris Head of Corporate Services & Strategy | 65-70 | - | - | 65-70 | - | - |
| Carl Pegg Head of Consumer Relations & Public Relations | 60-65 | - | - | 55-60 | - | - |
| Dave Thompson Head of Public Relations (left 5 August 2011) | - | - | - | 15-20 (full year equivalent 45-50) | - | - |
| Total | 295-300 | 10-15 | - | 300-305 | 10-15 | 100 |

Salary

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

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the CCWater and treated by the HM Revenue and Customs as a taxable emolument.

Payments to the Board members for home to office expenses were net of tax and the tax amounts were paid over to HM Revenue and Customs. Items that fell into this category were travel and subsistence incurred whilst attending meetings at their normal place of work.

Bonuses

The Chief Executive is entitled to a contractual bonus payment. This relates to the achievement of his objectives. The bonus reported in 2012-13 relates to the achievements of performance targets in 2011-12 and a part payment of £3,268 owed for 2009-10. The comparative bonuses reported for 2011-12 relate to the performance in 2010-11.

Median total remuneration

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.

In 2012-13, nil (2011-12, nil) employees received remuneration in excess of the highest-paid director.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid Executive in CCWater in the financial year 2012-13 was £120,000 – £125,000 (2010-11, £115,000 – £120,000). This was 4.7 times (2010-11, 4.8 times) the median remuneration of the workforce, which was £26,000 (2010-11, £24,762).

The median total remuneration has increased due to a fluctuation in staff numbers.

Senior Managers Disclosure of Pension Information 12 months ended 31 March 2013

| Name | Real increase in Pension and related lump sum at age 60 | Accrued pension at age 60 at 31 March 2013 and related lump sum | CETV at 31 March 2013 | CETV at 31 March 2012 | Real increase in CETV funded by employer |
|---|---|---|-----------------------|-----------------------|--|
| | £000 | £000 | £000 | £000 | £000 |
| Tony Smith - Chief Executive | 0-2.5 | 25-30 | 491 | 426 | 37 |
| Deryck Hall - Head of Policy & Research | 0-2.5 Lump sum 0-2.5 | 25-30 Lump sum 75-80 | 485 | 449* | 10 |
| Jane Morris - Head of Corporate Services & Strategy | 0-2.5 Lump sum 0-2.5 | 25-30 Lump sum 85-90 | 543 | 506 | 9 |
| Carl Pegg - Head of Consumer Relations | 2.5-5 | 30-35 | 473 | 399 | 51 |

*The actuarial factors used in the calculation of Cash Equivalent Transfer Values (CETVs) were changed during 2012.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. 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 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. 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. 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% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

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.

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

4 June 2013

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 2012 to 31 March 2013.

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

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

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

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

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

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

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

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

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 evaluates the effectiveness of these arrangements, and how they support the Accounting Officer’s responsibilities for the use of resources by CCWater.

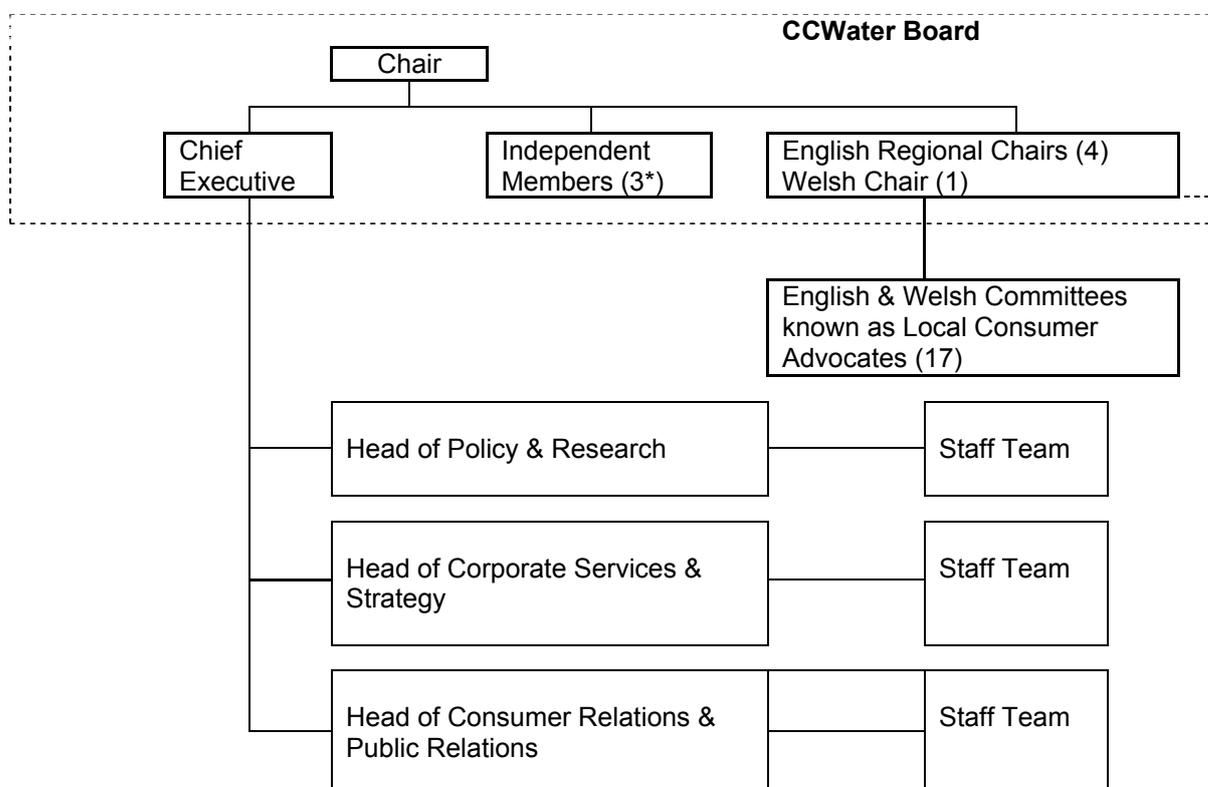
Funding and Classification

The joint sponsors of the organisation are the Department for Environment, Food and Rural Affairs (DEFRA) and the Welsh Government. CCWater is funded by water consumers through a charge to water and sewerage companies in England and Wales by Ofwat. The amount is then passed to DEFRA and Welsh Government. CCWater draws its funds through Grant in Aid from DEFRA and is included in DEFRA’s accounts.

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.

Organisational Structure

CCWater consists of a national Council, known as the Board, four Committees for England and a committee for Wales. CCWater has a network of local offices in Cardiff, Cambridge, Birmingham, Darlington, Manchester, London, Bristol and Exeter. The headquarters of the organisation are in Birmingham. Each committee has between three and five members, known as Local Consumer Advocates.



* The number of Independent Board Members reduced from four to three from 1 October 2012

The Board

The membership of the Board as at 31 March 2013 was:

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

England Regional Committees Chairs:

| | | | | |
|-----------------------|-------------------------|-----------------|------------------|-------|
| Central and Eastern | Dame Yve Buckland** | 1 October 2010 | | |
| Northern | Andrea Cook | 1 October 2005 | 1 July 2009 | 4 yrs |
| London and South East | David Bland *** | 1 December 2007 | 1 September 2008 | 4 yrs |
| Western | Charles Howeson | 1 October 2005 | 1 July 2009 | 4 yrs |
| Central and Eastern | Professor Bernard Crump | 1 February 2013 | | 4 yrs |
| London and South East | Sir Tony Redmond | 1 March 2013 | | 4 yrs |

Wales Committee Chair:

| | | | | |
|--|--------------|----------------|----------------|-------|
| | Diane McCrea | 1 October 2005 | 1 October 2009 | 4 yrs |
|--|--------------|----------------|----------------|-------|

Independent Members:

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

* Dame Yve Buckland has accepted a further 2 year appointment as council chair from 1 April 2013 to 31 March 2015.

** Dame Yve Buckland covered the Central & Eastern Committee Chair position until 28 February 2013.

*** David Bland left 31 January 2013.

**** Colette Isaaks left 31 August 2012.

Board Appointments

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

Board Register of Interests

CCWater maintains a register of Board members interests, which is available on CCWater's website www.ccwater.org.uk

Board Responsibilities

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

The Board is specifically responsible for:

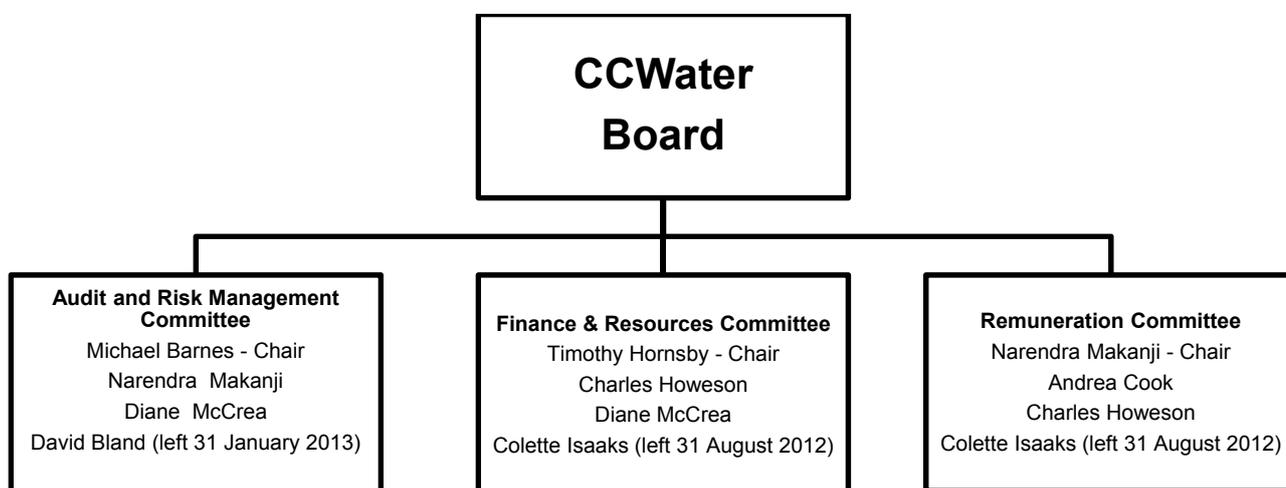
- establishing and taking forward the strategic aims and objectives of CCWater consistent with its overall strategic direction and within the policy and resources framework determined by the Secretary of State;
- ensuring that the responsible minister is kept informed of any changes which are likely 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 that 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 department, 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 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 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 Committee to help the Board to address key financial and other risks;
- set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilisation of public resources;
- conforming with the terms of the Welsh Language Scheme it has produced in accordance with Part II of the Welsh Language Act 1993, thereby giving effect to the principle that the Welsh and English languages should be treated on a basis of equality when operating in Wales.

Standing Committees & Membership

CCWater has three sub committees reporting directly to the Board:



During the year each Committee reports back following its meetings to the full Board on the issues it has considered.

Membership of each Committee is reviewed and confirmed by the Board annually at the end of the financial year.

Audit and Risk Management Committee

The role of the committee is to:

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

The Audit and Risk Management Committee supports the Accounting Officer by offering objective advice on issues concerning the control and governance of CCWater. The Audit and Risk Management Committee is

chaired by a non-executive Board member and its role and composition is in line with the HM Treasury's best practice guidance.

Finance and Resources Committee

The role of the Committee is to:

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

Remuneration Committee

The role of the Committee is to:

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

Board & Standing Committees Attendance

| | Council Meetings | Audit & Risk Management | Finance & Resources | Remuneration |
|---|------------------|-------------------------|---------------------|--------------|
| Dame Yve Buckland | 13/13 | -- | -- | -- |
| Tony Smith | 11/13 | -- | -- | -- |
| Andrea Cook | 8/13 | -- | -- | 1/3 |
| David Bland (left 31 January 2013) | 10/11 | 3/4 | -- | -- |
| Charles Howeson | 9/13 | -- | 3/4 | 2/3 |
| Diane McCrea | 12/13 | 5/5 | 4/4 | -- |
| Mike Barnes | 12/13 | 5/5 | -- | -- |
| Colette Isaaks (left 31 August 2012) | 5/5 | -- | 2/2 | 2/2 |
| Narendra Makanji | 13/13 | 5/5 | -- | 3/3 |
| Timothy Hornsby | 13/13 | -- | 4/4 | -- |
| Professor Bernard Crump (appointed 1 February 2013) | 2/2 | -- | -- | -- |
| Sir Tony Redmond (appointed 1 March 2013) | 1/1 | -- | -- | -- |

All absences were agreed in advance by the Board Chair. Many of the absences were due to other CCWater commitments.

Board's Performance

The Board set itself ten key objectives for 2012-13. These objectives and evidence of achievement are set out below:

To provide leadership and clear strategic direction to the organisation, motivate staff and use staff time efficiently and effectively.

- A staff survey was undertaken in September 2011 and again October 2012. The results of the 2011 survey were considered by the Remuneration Committee on 3 April 2012 and the recommendations of the Executive Team with regard to the action to be taken were agreed including 'strongly communicating the vision for next three years and beyond'. The survey that was carried out in October 2012 and the results were reported to the January Board meeting.
- Staff personal objectives and appraisals against objectives, with in-year reviews, conducted.
- Forward Work Programme circulated to staff and Local Consumer Advocates LCAs with updates via team briefings.
- Board seminar focussed on determining key priorities for the future.
- No concerns were mentioned at Staff Council or via Team Briefs.
- Positive feedback has been received from managers.

To approve and monitor achievement of a framework of policies, plans and procedures that will deliver our strategic direction and meet all statutory and regulatory requirements placed upon us.

- Board meetings have been refocused to give extra time for policy discussions. Procedures have been put in place to ensure any clarification or further information required on a report will be provided prior to the Board meeting so the Board discussion centres on policy.
- Minor changes made to Forward Work Programme and Operational Business Plan. Progress on deliverable monitored via Chief Executive reports and the Work Progress Report.
- Information and update papers are now circulated to Board by email for comment.
- No major issues identified by auditors.
- Regular Finance, Health Safety Executive, Estates Human Resources reports to Board. No issues identified.

To challenge constructively the recommendations and options put to the Board from the Executive Team to ensure that Board decisions are soundly based upon hard data, strong evidence and cogent analysis.

- Post Board meeting discussions, agendas are programmed and timed to ensure there is sufficient time for Members to review Board performance.
- Board challenged and changed draft Forward Work Programme and draft research programme.
- Board identified extra projects for investment and are monitoring progress.

To take every opportunity to promote CCWater and the benefits it delivers.

- Invited to speak at a variety of key water related seminars.
- Asked to give oral & written evidence to Select Committees.
- Many radio and TV appearances.
- CCWater views regularly appear in the media and figures relating to media exposure are provided in each Chief Executive's report for consideration by the Board.
- CCWater has been involved in discussions about how the £50 South West affordability subsidy would be administered.

To ensure water customers continue to receive the best consumer representation, collectively the Board members do everything possible,

- Positive comments from Select Committees and Gray Review on CCWater's customer focused deliverables.
- Attended numerous high profile events and frequently asked to speak.
- DEFRA & WG & EFRA Select Committee continue to strongly support CCWater.

To develop any newly appointed Board member and newly appointed Local Consumer Advocates LCAs so they can do an effective job, in line with the Board's expectations.

- Board and LCAs have attended a number of training days.

- Introduced more flexible arrangements to meet extra demands made by PR14.

To continue to improve on our key performance measures, in particular our customer-facing measures such as customer satisfaction with complaint outcomes as well as operational performance.

- Actively benchmarking against other similar consumer organisations.
- When we last benchmarked CCWater against comparator organisations, customers' views on the outcome of their complaints were better than Consumer Focus' Extra Help Unit, but overall satisfaction was the same.
- Consumer satisfaction with service is on a par with ombudsman organisations.
- Parliamentary and Health Service Ombudsman has not intervened in, or upheld, any complaints against CCWater.

To be effective in PR14 process and Customer Challenge Groups and manage effectively any new areas of work allocated to CCWater in year as recommended by the Gray Review.

- CCWater chairs 14 of the 19 Water Company Customer Challenge Groups.
- As the Gray review recommendations – CCWater has added extra resources to consideration of business customers' issues and tariffs policy work.
- Policy Team now working in four teams – social, regulation, environment and market intelligence.
- Positive comments from stakeholders at various meetings.

To constantly improve our customer-facing measures, and our understanding of customer needs; to identify any gaps in the Board's knowledge which could be filled by more research; to find where possible more imaginative ways to champion consumers. To take action to engage more effectively with the public.

- Recent research confirms CCWater is focusing on the correct issues but could do more on informing consumers about issues in the water industry.
- CCWater has taken steps to improve its website.
- A new web based water meter calculator has been upgraded to show us potential customer savings. The calculator has potentially so far saved customers £4.4m

To challenge ourselves so that we are working as effectively as we can as a Board.

- Post Board meeting discussions.
- Changes made to the way the Board operates – more focus on policy discussions.
- Refocusing public board meetings to be more relevant to customers. Consideration is being given to hold public meeting(s) in relation to research findings in 2013.
- Specific objectives identified following individual annual appraisals.

Board Discussions

In addition to reviewing CCWater's performance, finance and governance controls, the Board has been considering how best to ensure consumer views are taken into account by water companies, regulators and governments. During the year the Board has discussed and agreed policies on how to ensure customers views are best represented through the Customer Challenge Groups and as part of the PR14 process, the development of market reform / competition in England particularly for business customers, customer acceptability of the introduction of Social Tariffs and the impact of companies' charges and tariffs.

Regional and Wales Committees

CCWater has four regional Committees for England which each have three members each known as Local Consumer Advocates. The Wales Committee, due to its work with the Welsh Assembly, has five Local Consumer Advocates.

The four Regional Committees for England and the Wales Committee have the following functions:

- to provide advice and information to CCWater on consumer matters affecting the areas of the water and sewerage undertakers allocated to it;

- to handle and investigate consumer complaints in respect of water and sewerage undertakers allocated to it;
- to assess the customer complaint systems of water and sewerage undertakers allocated to it; and
- any other functions delegated to it by the Board of CCWater.

The Committees normally meet in public twice a year.

Committee Members known as Local Consumer Advocates

The primary role of the Local Consumer Advocates is to:

- Advise and inform the Board on consumer matters in their local area.
- Working 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, influence and lobby 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.
- Develop local stakeholder relationships with those key agencies and organisations (including planning forums) whose decisions will have an impact on water consumers.

Local Consumer Advocates 2012-13

| Central & Eastern | London & South East | Northern | South West | Wales |
|-------------------|---------------------|-----------------|----------------|---------------------|
| Keith Andrew | Helen Charlton | Judith Mashiter | Anthony Denham | Clare Evans |
| Richard Franceys | John Havenhand | Susan O'Brien | Dennis Osborne | Paul Roberts |
| David Wurr | Jill Thomas | Hilary Putman | Edward Vidler | Mansel Thomas |
| | | | | Alison Warman |
| | | | | Norman Thomas |
| | | | | retired 30 Nov 2012 |
| | | | | Ronnie Alexander |
| | | | | from 1 March 2013 |

Local Consumer Advocates are recruited in line with the Commissioner for Public Appointments' guidelines via fair and open competition and serve a maximum of ten years. They are expected to give up to four days per month and receive an annual remuneration of £4,381. This year a number of Local Consumer Advocates have taken on additional responsibilities representing customers' views on Customer Challenge Groups. For the England LCAs, who have less members, they are able to claim for additional CCG related work where this exceeds their four days per month commitment.

The Executive

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

Executive Team

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

Audit Assurances

Internal Audit

CCWater's internal auditors 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 Chief Executive and the Audit and Risk Management Committee quarterly to discuss the reports and consider progress in addressing major concerns. An annual report is also prepared which includes a professional opinion on the effectiveness of the overall systems of internal control and risk management within CCWater.

For 2012-13 CCWater appointed new Internal Auditors RSM Tenon. The service provided an independent appraisal service for management by measuring and auditing the adequacy, reliability and effectiveness of management and financial control systems. RSM Tenon reviewed: CCWater's Risk Maturity; Delivery of Forward Work Programme; Key Financial Controls; Financial Planning; Budget setting and Management and Follow up of Previous Internal Audit Recommendations. RSM Tenon's overall opinions on CCWater's systems were 'Green' and reasonable assurance was given that there are no major weaknesses. A few low level priority recommendations were made. The cost of the internal audit for 2012-13 was £16,272.

External Audit

The accounts have been audited by the Comptroller and Auditor General in accordance with the Water Industry Act 1991. The Audit Certificate is on pages 26 to 27. The cost of providing audit services in respect of the Annual Report and Accounts 2012-13 was £28,500. There was no external auditor remuneration for non-audit work.

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

Operational Assurances

The Chairs of CCWater's Standing Committees (Audit & Risk Committee, Finance & Resources, and Remuneration) have all confirmed that they are satisfied that the highest standard 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, financial and staff management.

Corporate Governance

Code of Governance

CCWater's Code of Governance, which was updated in August 2010, sets out the Council's responsibilities regarding proper Conduct of Business, Strategic Planning, Monitoring Performance, Finance, Staffing, Health and Safety plus Whistleblowing procedures. The Code has been followed and there have been no departures. Internal and External Audit have confirmed that they are satisfied with how the organisation is managed and that there are no governance issues.

Ministerial Directions

There have been no Ministerial Directions during 2012-13.

Managing Risks

CCWater has an established risk management strategy and a risk register for the management and mitigation of risk. In addition, CCWater projects and Board papers contain risk evaluations. CCWater's risk maturity was reviewed by internal audit in October 2012 and rated as 'Defined' - Risk Management strategy and policies in place and communicated across the organisation to all Staff, Board and LCA's.

Since the audit review in October 2012, CCWater has begun an incremental review of the risk register. CCWater has now prioritised those risks that are considered to result in the most significant impact to the organisation and consumers. CCWater has revised the presentation of the risk register which now more clearly demonstrates the impact of mitigation on the risks; the matrix now identifies a single assessment of risk (high/medium/low), which makes the process and outcome more transparent.

CCWater's risk register is a live document reviewed by the Executive Team on a six-weekly basis. The register considers strategic, operational, financial and external risks. The risk register is also reviewed closely by the Audit and Risk Management Committee at each quarterly meeting and the highest risks are considered by the Board.

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

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

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

Capability - that achieved objectives and maintained financial control were established through rigorous budget setting and resource management processes as well as the implementation of a work prioritisation process, embedded within the operational business plan, which was used to agree resource limits and specifications at the outset of work. A key risk for CCWater is that of key personnel leaving or being demotivated by the uncertainty surrounding CCWater's future. This is mitigated with continuity plans to deal with the loss of key staff along with regular updates to staff on both potential consultation on CCWater's merger with another consumer body and the Government's review of public bodies

Government Spending and Transparency Controls - in response to the Government's restrictions on spending and transparency CCWater put in place controls to ensure compliance and that staff were knowledgeable about the restrictions. These controls were subject to internal audit in December 2012 and were rated as 'green' – substantial assurance that the controls upon which the organisation relies are suitably designed, consistency applied and effective. The Office of Government Commerce (OGC) framework contract clauses are being used in new contracts as necessary.

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

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

Strategic Risks for CCWater

In relation to 2012-13, the main risk identified is the uncertainty and potential impact on CCWater's ability to influence partners to bring about change that will benefit water customers due to the review regarding CCWater's future.

New or more significant risks that were identified during 2012-13 are set out below.

CCWater will need to change to:

- reflect the changing regulatory environment;
- ensure that it can continue to demonstrate exceptional value for money; and
- continue to deliver clear improvements for water customers.

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

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

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

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

Information Management and Data Security

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

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

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

Tony Smith
Chief Executive and Accounting Officer
Consumer Council for Water

4 June 2013

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

I certify that I have audited the financial statements of Consumer Council for Water for the year ended 31 March 2013 under the Water Industry Act 1991. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of Consumer Council for Water's affairs as at 31 March 2013 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Water Industry Act 1991 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Water Industry Act 1991; and

- the information given in Introduction and Management Commentary 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 part of the Remuneration 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.

Amyas C E Morse
Comptroller and Auditor General

5 June 13

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

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2013

| | Note | 2012-13 | 2011-12 |
|---|------|----------------|----------------|
| | | <u>£000s</u> | <u>£000s</u> |
| Expenditure | | | |
| Staff costs | 2.1 | 2,989 | 2,986 |
| Depreciation | 3 | 33 | 25 |
| Other Expenditures | 3 | 2,351 | 1,767 |
| | | <u>5,373</u> | <u>4,778</u> |
| Income | | | |
| Other Income | 4 | 48 | 18 |
| | | <u>48</u> | <u>18</u> |
| Net Expenditure | | (5,325) | (4,760) |
| Total Comprehensive Expenditure for the year ended 31 March 2013 | | <u>(5,325)</u> | <u>(4,760)</u> |

There is no other comprehensive expenditure

The notes on pages 32 to 41 form part of these accounts.

Statement of Financial Position

as at 31 March 2013

| | Note | 31-Mar 2013 £000s | 31-Mar 2012 £000s |
|---|------|-------------------------|-------------------------|
| Non-current assets: | | | |
| Property, plant and equipment | 5 | 124 | 87 |
| Intangible assets | 6 | 133 | 46 |
| Trade and other receivables | | | |
| Total non-current assets | | 257 | 133 |
| Current assets: | | | |
| Other current assets | 7 | 197 | 205 |
| Cash and cash equivalents | 8 | 1,562 | 1,658 |
| Total current assets | | 1,759 | 1,863 |
| Total assets | | 2,016 | 1,996 |
| Current liabilities | | | |
| Trade and other payables | 9 | (505) | (331) |
| Total current liabilities | | (505) | (331) |
| Non-current assets plus current assets | | 1,511 | 1,665 |
| Non-current liabilities | | | |
| Provisions | 10 | (100) | (23) |
| Early departure | 10.1 | (14) | (21) |
| Other payables | 9 | (36) | (65) |
| Total non-current liabilities | | (150) | (109) |
| Assets less liabilities | | 1,361 | 1,556 |
| Taxpayers' equity | | | |
| General reserve | | 1,361 | 1,556 |
| | | 1,361 | 1,556 |

The financial statements on pages 28 to 31 were approved by the Board on 4 June 2013 and were signed on its behalf by;

Tony Smith
Chief Executive and Accounting Officer

4 June 2013

The notes on pages 32 to 41 form part of these accounts.

Statement of Cash Flows

for the year ended 31 March 2013

| | Note | 2012-13 | 2011-12 |
|---|------|-----------------------|-----------------------|
| | | <u>£000s</u> | <u>£000s</u> |
| Cash flows from operating activities | | | |
| Net Deficit after cost of capital and interest | | (5,325) | (4,760) |
| Adjustments for non-cash transactions | 3 | 188 | 55 |
| (Increase)/Decrease in trade and other receivables | 7 | 8 | - |
| Increase/(Decrease) in trade payables | 9 | 145 | (1) |
| Use of provisions | 10 | (32) | (92) |
| Net cash outflow from operating activities | | <u>(5,016)</u> | <u>(4,798)</u> |
| Cash flows from investing activities | | | |
| Purchase of Property, plant and equipment | 5 | (73) | (9) |
| Purchase of Intangible assets | 6 | (137) | (32) |
| Net cash outflow from investing activities | | <u>(210)</u> | <u>(41)</u> |
| Cash flows from financing activities | | | |
| Grants from sponsoring department | | 5,130 | 5,130 |
| Net financing | | <u>5,130</u> | <u>5,130</u> |
| Net increase/(decrease) in cash and cash equivalents in the period | | (96) | 291 |
| Cash and cash equivalents at the beginning of the period | 8 | 1,658 | 1,367 |
| Cash and cash equivalents at the end of the period | 8 | <u>1,562</u> | <u>1,658</u> |

The notes on pages 32 to 41 form part of these accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2013

| | <u>General Reserve</u> <u>£000s</u> | <u>Total Reserves</u> <u>£000s</u> |
|---|--|---|
| Balance at 31 March 2011 | 1,186 | 1,186 |
| Changes in taxpayers' equity for 2011-12 | | |
| Grant from Sponsoring Department | 5,130 | 5,130 |
| Comprehensive Expenditure for the year | (4,760) | (4,760) |
| Balance at 31 March 2012 | 1,556 | 1,556 |
| Changes in taxpayers' equity for 2012-13 | | |
| Grant from Sponsoring Department | 5,130 | 5,130 |
| Comprehensive Expenditure for the year | (5,325) | (5,325) |
| Balance at 31 March 2013 | 1,361 | 1,361 |

The notes on pages 32 to 41 form part of these accounts.

Notes to the Accounts

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Consumer Council for Water for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Consumer Council for Water are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounting convention

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

1.2 Property, plant and equipment

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

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 and website developments.

1.3 Depreciation

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

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

Software licences and website costs 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 2013 (31 March 2012: nil). Rentals due under operating leases are charged over the lease term on a straight-line basis or on the basis of actual rental payable where this fairly reflects usage.

1.5 Grants receivables

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

1.6 Value added tax

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

1.7 Provisions

CCWater provides for legal or constructive obligations, which are of uncertain timing, or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury discount rate (currently -1.8 per cent).

1.8 Contingent liabilities

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

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

1.9 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). This is an unfunded multi-employer defined benefit scheme, and CCWater is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk.

2 Staff numbers and related costs

2.1 Staff costs comprise:

| | 2012-13 | | | 2011-12 |
|-----------------------|--------------|----------------------------|-------------------|--------------|
| | Total | Permanently employed staff | Public Appointees | Total |
| | £000s | £000s | £000s | £000s |
| Wages and salaries | 2,438 | 2,264 | 174 | 2,460 |
| Social security costs | 188 | 187 | 1 | 172 |
| Other pension costs | 363 | 363 | - | 354 |
| Total net costs* | <u>2,989</u> | <u>2,814</u> | <u>175</u> | <u>2,986</u> |

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

2.2 Average numbers of persons employed

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

| Number | 2012-13 | 2011-12 |
|-------------------|------------------|------------------|
| Directly Employed | <u>70</u> | <u>66</u> |
| *Others | <u>3</u> | <u>1</u> |
| Total | <u>73</u> | <u>67</u> |

*This includes staff on secondment.

2.3 Number of Public Appointees

| Number | 2012-13 | 2011-12 |
|--------------------------|------------------|------------------|
| Board | <u>9</u> | <u>9</u> |
| Local Consumer Advocates | <u>17</u> | <u>54</u> |
| Total | <u>26</u> | <u>63</u> |

Salary

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

Pension

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but CCWater is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions).

For 2012-13, employers' contributions of £362,760 were payable to the PCSPS (2011-12 £353,530) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 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 £11,474 (2011-12 £10,273) 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 £831 (2011-12 £750), 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 £834 (2011-12 £1,107). Contributions prepaid at that date were nil.

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

One individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £2,676.

3 Other Expenditure

| | 2012-13 | | 2011-12 | |
|---|---------|-------|---------|-------|
| | £000s | £000s | £000s | £000s |
| Running Costs | | | | |
| Rentals under operating leases: | | | | |
| Accommodation | 503 | | 579 | |
| IT software | 121 | | 152 | |
| Office equipment | 2 | | 9 | |
| | | 626 | | 740 |
| Non cash items: | | | | |
| Depreciation | 33 | | 25 | |
| Amortisation | 50 | | 27 | |
| (Profit)/Loss on disposal of assets | 3 | | - | |
| Early retirement provision provided in year | 2 | | 2 | |
| Office relocation provision | 100 | | - | |
| Unwinding of discount | - | | 1 | |
| Permanent diminution of assets | - | | - | |
| | | 188 | | 55 |
| Other expenditure: | | | | |
| Research & consultancy | 585 | | 164 | |
| Training | 30 | | 34 | |
| Travel and subsistence | 129 | | 115 | |
| Rates | 152 | | 160 | |
| Hire and maintenance | 80 | | 85 | |
| Seminars, meetings and conferences | 16 | | 19 | |
| Publications, books & periodicals | 98 | | 68 | |
| Postal services and couriers | 9 | | 7 | |
| Telecommunications | 84 | | 69 | |
| Auditors' remuneration* | 29 | | 32 | |
| Other accommodation costs | 210 | | 125 | |
| Recruitment costs | 7 | | 18 | |
| Website | 16 | | 17 | |
| Other | 125 | | 84 | |
| | | 1,570 | | 997 |
| | | 2,384 | | 1,792 |

* During the year there was no remuneration for non-audit work.
All expenditure is classified as Programme spend.

4 Income

| | 2012-13 | 2011-12 |
|--------------|-----------|-----------|
| | £000s | £000s |
| Other Income | 48 | 18 |
| Total | 48 | 18 |

Other income is derived from sub-letting parts of the Bristol office and Birmingham office.

5 Property, plant and equipment

| | Leasehold works £000s | IT equipment £000s | Total £000s |
|---|-----------------------------|-----------------------|----------------|
| Cost or valuation | | | |
| At 1 April 2012 | 313 | 41 | 354 |
| Additions | 20 | 53 | 73 |
| Disposals | (30) | - | (30) |
| Revaluations | - | - | - |
| At 31 March 2013 | 303 | 94 | 397 |
| Depreciation | | | |
| At 1 April 2012 | 227 | 40 | 267 |
| Charged in year | 25 | 8 | 33 |
| Disposals | (27) | - | (27) |
| Revaluations | - | - | - |
| At 31 March 2013 | 225 | 48 | 273 |
| Carrying amount at 31 March 2013 | 78 | 46 | 124 |
| Carrying amount at 31 March 2012 | 86 | 1 | 87 |

| | Leasehold works £000s | IT equipment £000s | Total £000s |
|---|-----------------------------|-----------------------|----------------|
| Cost or valuation | | | |
| At 1 April 2011 | 304 | 41 | 345 |
| Additions | 9 | - | 9 |
| Disposals | - | - | - |
| Revaluations | - | - | - |
| At 31 March 2012 | 313 | 41 | 354 |
| Depreciation | | | |
| At 1 April 2011 | 203 | 39 | 242 |
| Charged in year | 24 | 1 | 25 |
| Disposals | - | - | - |
| Revaluations | - | - | - |
| At 31 March 2012 | 227 | 40 | 267 |
| Carrying amount at 31 March 2012 | 86 | 1 | 87 |
| Carrying amount at 31 March 2011 | 101 | 2 | 103 |

All assets were owned.

6 Intangible assets

| | Software Licences | Website | Total |
|---|----------------------|-----------|------------|
| | £000s | £000s | £000s |
| Cost or valuation | | | |
| At 1 April 2012 | 174 | 10 | 184 |
| Additions | 137 | - | 137 |
| Disposals | - | - | - |
| Revaluation | - | - | - |
| At 31 March 2013 | 311 | 10 | 321 |
| Amortisation | | | |
| At 1 April 2012 | 138 | - | 138 |
| Charged in year | 47 | 3 | 50 |
| Disposals | - | - | - |
| Revaluation | - | - | - |
| At 31 March 2013 | 185 | 3 | 188 |
| Carrying amount at 31 March 2013 | 126 | 7 | 133 |
| Carrying amount at 31 March 2012 | 36 | 10 | 46 |
| Cost or valuation | | | |
| At 1 April 2011 | 152 | - | 152 |
| Additions | 22 | 10 | 32 |
| Disposals | - | - | - |
| Revaluation | - | - | - |
| At 31 March 2012 | 174 | 10 | 184 |
| Amortisation | | | |
| At 1 April 2011 | 111 | - | 111 |
| Charged in year | 27 | - | 27 |
| Disposals | - | - | - |
| Revaluation | - | - | - |
| At 31 March 2012 | 138 | - | 138 |
| Carrying amount at 31 March 2012 | 36 | 10 | 46 |
| Carrying amount at 31 March 2011 | 41 | - | 41 |

7 Trade receivables and other current assets

| | 2012-13 | 2011-12 |
|--|-------------------|-------------------|
| | <u>£000s</u> | <u>£000s</u> |
| Amounts falling due within one year: | | |
| Other debtors | 2 | - |
| Advances* | 14 | 7 |
| Prepayments and accrued income | <u>181</u> | <u>198</u> |
| | <u>197</u> | <u>205</u> |
| Amounts falling due after more than one year: | | |
| Prepayments and accrued income | <u>-</u> | <u>-</u> |
| | <u>-</u> | <u>-</u> |

*Advances comprise of 18 travel season ticket loans.

7.1 Intra-Government Balances

Amounts falling due within one
year

| | 2012-13 | 2011-12 |
|--|-------------------|-------------------|
| | <u>£000s</u> | <u>£000s</u> |
| Balance with other central government bodies | 2 | 1 |
| Balance with local authorities | 12 | 12 |
| Subtotal: intra-government balances | <u>14</u> | <u>13</u> |
| Balances with bodies external to government | 183 | 192 |
| Total debtors at 31 March | <u>197</u> | <u>205</u> |

8 Cash and cash equivalents

| | 2012-13 | 2011-12 |
|---|---------------------|---------------------|
| | <u>£000s</u> | <u>£000s</u> |
| Balance at 1 April | 1,658 | 1,367 |
| Net change in cash and cash equivalent balances | (96) | 291 |
| Balance at 31 March | <u>1,562</u> | <u>1,658</u> |
| The following balances at 31 March were held at : | | |
| Government Banking Services | <u>1,562</u> | <u>1,658</u> |
| Balance at 31 March | <u>1,562</u> | <u>1,658</u> |

9 Trade payables and other current liabilities

| | 2012-13 | 2011-12 |
|--|-------------------|-------------------|
| | <u>£000s</u> | <u>£000s</u> |
| Amounts falling due within one year: | | |
| Trade payables | 6 | 36 |
| Accruals* | 394 | 197 |
| Other tax and social security | 66 | 63 |
| Other payables | 39 | 35 |
| | <u>505</u> | <u>331</u> |
| Amounts falling due after more than one year: | | |
| Accruals* | 36 | 65 |
| | <u>36</u> | <u>65</u> |

*Within accruals £72k (2011-12 £94k) relates to rent free premises for Victoria Square House of which £36k relates to falling due after one year.

9.1 Intra-Government Balances

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|--|-------------------------------------|-------------------|--|------------------|
| | 2012-13 | 2011-12 | 2012-13 | 2011-12 |
| | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| Balance with other central government bodies | 176 | 100 | - | - |
| Balance with local authorities | - | - | - | - |
| Subtotal: intra-government balances | 176 | 100 | - | - |
| Balances with bodies external to government | 329 | 231 | 36 | 65 |
| Total creditors at 31 March | <u>505</u> | <u>331</u> | <u>36</u> | <u>65</u> |

10 Provisions for liabilities and charges

| | <u>£000s</u> |
|-------------------------------------|-------------------|
| Balance at 1 April 2012 | 23 |
| Provided in year | 100 |
| Provision not required written back | - |
| Provision utilised in year | (23) |
| Unwinding of discount | - |
| Balance at 31 March 2013 | <u>100</u> |
| Balance at 1 April 2011 | 95 |
| Provided in year | - |
| Provision not required written back | - |
| Provision utilised in year | (72) |
| Unwinding of discount | - |
| Balance at 31 March 2012 | <u>23</u> |

Provision provided for office relocation costs for current year is Birmingham; prior year was Manchester, Cambridge and Wales.

10.1 Early departure costs

| | <u>£000s</u> |
|-------------------------------------|------------------|
| Balance at 1 April 2012 | 21 |
| Provided in year | 2 |
| Provision not required written back | - |
| Provision utilised in year | (9) |
| Unwinding of discount | - |
| Balance at 31 March 2013 | <u>14</u> |

Analysis of expected timing of discounted cash flows

| | <u>£000s</u> |
|---|------------------|
| Not later than one year | 9 |
| Later than one year and not later than five years | 5 |
| Later than five years | - |
| Balance at 31 March 2013 | <u>14</u> |

| | <u>£000s</u> |
|-------------------------------------|------------------|
| Balance at 1 April 2011 | 38 |
| Provided in year | 2 |
| Provision not required written back | - |
| Provision utilised in year | (20) |
| Unwinding of discount | 1 |
| Balance at 31 March 2012 | <u>21</u> |

Analysis of expected timing of discounted cash flows

| | <u>£000s</u> |
|---|------------------|
| Not later than one year | 8 |
| Later than one year and not later than five years | 13 |
| Later than five years | - |
| Balance at 31 March 2012 | <u>21</u> |

The early retirement provision relates to the costs of pensions for individuals who have retired early. We meet the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. We provide for this in full when the early retirement programme becomes binding on us by establishing a provision for the estimated payments discounted by the Treasury pension rate of 2.35 per cent in real terms.

11 Capital commitments

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

12 Commitments under leases

Operating leases

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

| | 2012-13 | 2011-12 |
|---|--------------|--------------|
| | <u>£000s</u> | <u>£000s</u> |
| Obligations under operating leases comprise: | | |
| Buildings: | | |
| Not later than one year | 393 | 569 |
| Later than one year and not later than five years | 439 | 894 |
| Later than five years | - | - |
| | <u>832</u> | <u>1,463</u> |
| Other: | | |
| Not later than one year | 49 | 156 |
| Later than one year and not later than five years | - | 65 |
| Later than five years | - | - |
| | <u>49</u> | <u>221</u> |

13 Contingent liabilities disclosed under IAS 37

There are no contingent liabilities as at 31 March 2013.

14 Losses and special payments

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

15 Events after the reporting period

There were no reportable events after the reporting period.

16 Financial instruments

As the cash requirements of CCWater are met through Grant in Aid provided by DEFRA and the Welsh 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.

17 Related Party Transactions

CCWater receives grant in aid from DEFRA. DEFRA and Welsh Government are CCWater's sponsoring departments

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

CCWater sublets parts of the Bristol office to Consumer Focus and the Birmingham office to the Equality Commission and receives rental income; during 2012-13 £48k was received.

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



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