



Meeting held on Wednesday 25 July 2007

**Members in attendance**

**Chairman:**

Philip Fletcher

**Chief Executive:**

Regina Finn

**Non-Executive Directors:**

Peter Bucks

Mike Brooker

Penny Boys

Jane May

Gill Owen

**Executive Directors:**

Keith Mason

**Apologies**

Melinda Acutt

**In attendance:**

Roger Dunshea (Director of Operations)

Andrew Dunn (Director of Consumer Protection)

Fiona Pethick (Director of Corporate Affairs and Secretary to the Board)

Fiona Butcher (Interim Director of Legal Services)

Jonathan Hodgkin (Interim Director of Network Regulation)

Sarah Johnson (Minute Secretary)

Mark Hann (PR09 Project Manager) item 3 and 5

Rhiannon McHugh (PR09 Planning Analyst) item 3

George Day (Head of Asset Strategy Team) item 4

Helen Twelves (Head of Comparative Efficiency Team) item 4

Emma Cochrane (Head of Corporate Finance Team) item 6

Tracey Anderson (Head of Regulatory Accounts and Business Affairs) item 7

Ingrid Olsen (Head of Enforcement) item 7

Sue Cox (Head of Service and Performance Team) item 8

Sheila Miller (Senior Performance Analyst) item 8

**1. Minutes and actions arising**

The Board approved the minutes of the meetings on 14 June 2007 and 5 July. These minutes will be published on the Ofwat website.

**2. Chief Executive's report**

Regina Finn presented the headline issues of her Chief Executive report. The issues discussed included:

- the current flood situation;
- the possible introduction of voluntary water efficiency targets for companies;
- a proposal by Folkestone and Dover Water to run a pilot trial of a rising block tariff with one group of metered customers; and
- the ongoing progress on Ofwat's review of competition in the water and sewerage sector.

### **3. PR09 October methodology paper**

The Board had received a first draft of the PR09 methodology paper and were asked for input on the key messages in the paper, the consultation questions proposed and the general tone of the document. The Board agreed with the proposed key themes and messages. Board provided a number of comments including:

- the final report to be more concise, and
- the paper should clearly take account of other developments in Ofwat, particularly developments on the review of competition, and be consistent with Ofwat's strategy as a whole.

### **4. Expenditure and incentives: menu regulation**

The Board was given (for information) a presentation on the ongoing consultation and work being carried out on menu regulation as a potential leading option for inclusion in the PR09 methodology paper. A further update will be given to the Board in September and a final decision on the content of the methodology paper in relation to menu regulation will be made by the Board in October.

### **5. Key messages from June return analysis**

The Board was presented with the key messages from the first stage analysis from the June returns. Areas of concern were highlighted to the Board and the action plan was noted.

### **6. Thames Tideway**

The Board was given an update on the work being carried out on options for financing the Thames Tideway interceptor sewer. Issues highlighted to the Board included:

- the unprecedented scale and characteristics of the project and the risks that this represents;
- the constrained timetable for the completion of the project;
- our work programme moving forward; and
- the possible decisions that lie ahead.

Further papers will be taken to Board for decision as appropriate.

### **7. Review of compliance with guaranteed service standards (GSS) regulations**

The Board was informed of progress and the next steps. The recent June return analysis confirmed the priorities that arose from the analysis of the audits that each company has carried out on its processes and systems for handling GSS events. A final outcome paper would be presented to the Board.

### **8. Severn Trent Water and Southern Water investigations**

The Board was updated on the investigations into SVT and SRN in relation to customer data reporting.

### **9. Audit Committee annual report and update from the last meeting**

The Board noted the Audit Committee annual report and the proposed appointment of an independent third committee member.

### **10. Quarterly risk register**

The Board welcomed the new risk scoring system which was being introduced throughout the organisation. The system had been approved by Audit Committee

and is consistent with those used in comparable organisations. Progress will be reported to the next Audit Committee meeting in 9 November. The next quarterly risk register update to the Board will be at its October meeting.

#### **11. Finance report 2007-08 quarter one**

The Board was given an update on the latest position for the first quarter of the 2007-08 budget and was alerted to expected pressures on resources during the year.

#### **12. Board strategy day**

The Board will meet for a strategy day on 21 August and preparation for this day was discussed. The Board also decided to hold further strategy discussions with at least one further meeting before the end of the year.

#### **13. Any other business**

The Board noted that Philip Fletcher will be on leave during September. Jane May would chair the September Board meeting while Penny Boys would chair any discussion relating to Thames Water.

**Sarah Johnson**