



**Consultation on Ofwat's
principles for holding company Board leadership,
transparency and governance**

Introduction

1. The Consumer Council for Water (CCWater) is the statutory consumer organisation representing water and sewerage consumers in England and Wales. CCWater has four regional committees in England and a committee for Wales.
2. We welcome Ofwat's publication of proposed principles to improve Board leadership, transparency and governance of the holding companies of regulated water companies in England and Wales¹. We recognise that the proposed principles for holding companies are a minimum requirement intended to complement the regulated company Board principles consulted on last year.
3. CCWater has previously:
 - raised concerns about the lack of financial transparency by water companies²;
 - supported the Ofwat Chairman's statements in March and September 2013³ ⁴ observing that the ownership structure of many water companies has become more complex and unclear, leading to a lack of trust and/or fairness for customers;
 - supported Ofwat's core set of governance principles for the Boards of the regulated companies (covering transparency, accountability for company strategy, and Board independence); and
 - welcomed the adoption of these principles by all water companies as a minimum requirement to help give customers an assurance that regulated company Boards are focussed on delivering for customers in the long term, with appropriate openness to customers to show how it is doing this.
4. In our response to Ofwat's consultation on regulated company principles⁵, we stated that we would like to see similar principles apply to holding companies. We now support Ofwat's moves to do this.

¹ http://www.ofwat.gov.uk/regulating/gud_pro20140131leadershipregco.pdf

² In our work in pressing companies to share the benefits of financial outperformance with customers, and in media statement in response to issues relating to companies' corporation tax payments.

³ Observations on the regulation of the water sector, Jonson Cox, Ofwat (Board leadership and governance, page 20)

⁴ Jonson Cox (Chair, Ofwat) Lorch Lecture speech, Cranfield University, 12 September 2013

⁵ <http://www.ccwater.org.uk/wp-content/uploads/2013/12/CCWater's-response-to-Ofwat's-proposed-water-company-Board-principles-on-leadership-transparency-and-governance---October-2013.pdf>

Views on the proposed holding company principles

Transparency

5. We support this principle and the four statements underpinning it. CCWater has long been concerned about the complex and opaque ownership and financial structures of water companies. Recent media interest in water companies' tax arrangements have given rise to concerns that their owners are not acting in the best interests of customers. CCWater has, therefore, challenged companies to explain how their tax arrangements benefit customers in some way and do not disadvantage customers in any way. This principle complements our own objectives in this area.

Managing risk

6. We support this principle and the two statements underpinning it. It is important for the safeguarding of essential services to customers that the holding company does not put the obligations and requirements of the regulated company at risk.

Supporting long term decision-making

7. We support this principle. The regulated water company Board should be focussed on and be accountable for its long term strategy in delivering services to customers in a sustainable way. Extending this principle to holding companies may support this focus on long term strategy.

Enquiries

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