



OFWAT BOARD
Meeting held on Tuesday 21 March 2006

Members

Director General:

Philip Fletcher

Non-Executive Advisory Directors:

Roger Munson

Martin Cave

Jane May

John Baker

Executive Directors:

Keith Mason

Melinda Acutt

In attendance:

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

Sue Cox (Acting Head of Consumer Affairs)

Huw Brooker (Head of Legal Services)

Louise Craig (Minute Secretary)

Apologies:

Roger Dunshea

A potential conflict of interest was declared: Jane May stated that she had applied for a post as non-executive director of the WSRA.

1. Agree minutes of last meeting and actions arising

The Board agreed slight changes to be made to the minutes of the previous meeting held on 13 February 2006. The minutes will be published on the Ofwat website.

An update on the project to look at complaint handling was circulated. The WSRA Board would pick up this issue on its formation on 1 April 2006.

2. Industry update

The Executive provided an update on the latest developments in the water industry and at Ofwat.

The board noted that:

- The consultation into the acquisition of Sutton and East Surrey Water by Deutsche Bank would follow shortly.
- The outcome of Keith Mason's work on Water Industry Forward Look scenario modelling had been shared with stakeholders and was now on the website.
- Severn Trent had accepted Ofwat's interim conclusions following the whistleblower allegations.
- The drought in the south east had sparked a lot of media interest. With the recharge period nearly over there continued to be concern over water resources in this area of the country. Water companies in the south east had established a website www.beatthedrought.com to inform their customers how to save water.
- Ofwat would be consulting on using the security of supply index in the OPA.
- We had submitted our response to the Defra consultation on Water Framework Directive river basin management planning guidance.
- Defra were leading the review into the options for the Thames Tideway ahead of the Olympics.
- A consultation paper would be published in March on developing our processes for assessing capital maintenance needs.
- Our leaflet on average bills had been published. Last year we had asked companies to notify metered customers of changes in charges. Most companies had published these on their websites. We will be continuing to monitor whether this is sufficient.
- We will publish an MD letter concerning the need to avoid delays in the process leading to transfer of customers.

3. Preparations for the WSRA

The Board discussed the preparations for the WSRA, in particular the draft rules of procedure. The non-executive advisory directors gave their comments on the draft. It noted that the post of Chief Executive would be advertised on 27 March in the Sunday Times. Philip Fletcher was expected to be appointed as acting Chief Executive from 1 April 2006 until the position could be filled permanently.

4. Budget report to February 2006

The Board received an update on Ofwat's financial performance against the budget up to the end of February 2006.

5. Agenda Items for future WSRA Board meetings

The new WSRA Board would need to meet soon after 1 April, at least to agree the rules of procedure.

6. AOB

The Audit Committee met on 20 March. The NAO had carried out an audit of nine months of accounts in order to produce a draft report. The final report would be based on year end accounts.

There had been a KPMG internal audit report showing that Ofwat has satisfactory internal controls. The KPMG contract which was due to expire at the end of March 2006 has been extended for another year to allow for the smooth transition to the WSRA.

Philip Fletcher noted that the remuneration committee could not meet on 24 March, as planned, because there was no decision on pay increases from Government. However it was agreed that Philip Fletcher, Jane May and Roger Munson should meet subsequently to review retrospective performance assessment for members of the Senior Civil Service in Ofwat.

Finally Philip Fletcher thanked the non-executive advisory directors (NEADs) for their work on the Board. The NEADs in turn thanked Ofwat staff for the support they had given the NEADs on the Board.

Louise Craig