



Ofwat Board Meeting held on 29 January 2015

Members in attendance

Chairman:

Jonson Cox

Chief Executive

Cathryn Ross

Non-Executive Directors:

Chris Burchell

Martin Lawrence

Christine Farnish

Catherine Waddams

Robin Paynter Bryant

Wendy Barnes

Executive Directors:

Keith Mason

Sonia Brown

Richard Khaldi

General Counsel

Elizabeth Hillman

In attendance:

Rachel Wright

(Board Secretary)

Claire Forbes

(Senior Director, Corporate Communications)

Bev Messinger

(Senior Director, Operations)

Rob Powell

(Delivery Director)

1. Declarations of interest

- 1.1. Wendy Barnes confirmed that her contract as a Non Executive Director with FCO Services ended on 31 December 2014. Wendy confirmed that she had started a role as a Non Executive Director with the ISS Department of the MOD and as a Non Executive Director on the Board of Scottish Power Energy Networks. Both of these roles commenced in January 2015.

2. Opening items including minutes

- 2.1. With minor amendments the Board agreed the minutes and actions of the meeting held on 8 December. The minutes will be published on the website.

3. Chief Executive's Introduction

- 3.1. Cathryn Ross presented an update on Ofwat's programmes and challenges ahead, following launch of the Ofwat strategy and the Forward Programme consultation in January. .

3.2. The Executive confirmed that there had been a positive response overall from the sector on the final determinations and that a number of companies had formally accepted their final determinations.

3.3. The Board noted the update.

4. Casework

4.1. The Executive presented the strategy for 2015/16 for the Casework Programme.

4.2. The Board supported the proposed strategy for the Casework Programme, recognising that the determination of strategic cases will send strong signals to the sector on how to act in the best interests of customers.

4.3. The Executive proposed a change in the membership of the Casework Committee, in order to give the option to have an additional independent member if required. The Board endorsed the proposal.

5. Thames Tideway Tunnel

5.1. The Executive presented a proposal to establish a Board Committee, 'Thames Tideway Committee'.

5.2. The Board discussed the delegation of decisions to this Committee and agreed key decisions would be reserved for the Board. The Executive agreed to reflect this in the Terms of Reference for the Committee which would be presented to Board for final sign off.

5.3. The Board endorsed the Committee, and invited Board members to express interest in becoming members to the Chairman, following which membership will be agreed by the Board.

6. Ofwat's approach to mergers and acquisitions

6.1. The Executive presented Ofwat's current policy on mergers and acquisitions of companies in the sector and recapped the changes to the special merger regime under the Water Act 2014.

6.2. The Board discussed possible scenarios, whilst considering the benefits and risks to customers of mergers and acquisitions.

- 6.3. The Board agreed to discuss this in more detail at a workshop to clarify the roles of the Board and the Executive in managing potential mergers and acquisitions.

7. Reflections on communications for Final Determinations

- 7.1. The Executive reflected on communications with key stakeholders and the media throughout December and January following publication of the Final Determinations.
- 7.2. The Board noted that the reduced resources in the organisation will need to be considered in future communications strategies and expectations of stakeholders will need to be effectively managed. .
- 7.3. The Board congratulated all those who had been involved in the Final Determinations.

8. 2015-16 Budget Licence Fee

- 8.1. The Executive proposed three planning scenarios for the 2015/16 budget in order to best deliver Ofwat's strategy. However, the Executive noted the limitation of the Civil Service Spending Review on budget. The Executive presented the costs to deliver each programme.
- 8.2. The Board raised concerns around its ability deliver the challenging work programmes within the budget.
- 8.3. The Board agreed to the raise their concerns in a letter to ministers.
- 8.4. The Executive presented the 2015/16 licence fee for companies. The Board delegated authority to the CEO to write to companies issuing the licence fee for the 2015/16 period.

9. Q3 Budget, performance summary and risk report

- 9.1. The Executive presented the quarter 3 performance, programme and risk report.
- 9.2. The Board noted the update.

10. AOB

- 10.1. Wendy Barnes, Chair of the Audit and Risk Assurance Committee, updated the Board on the most recent ARAC meeting that was held on 12 December 2014.
- 10.2. Wendy noted that Vanessa Howlison had joined as a new member to the Committee, replacing Richard Kennett whose last meeting was on 12 December.

Rachel Wright
29 January 2015