



## Ofwat Board Meeting held on Thursday 10 April 2014

### Members in attendance

#### Chairman

Jonson Cox

#### Chief Executive

Cathryn Ross

#### Non-Executive Directors

Chris Burchell

Martin Lawrence

Christine Farnish

Robin Paynter Bryant

Catherine Waddams

Wendy Barnes

#### Executive Directors:

Keith Mason

Sonia Brown

#### Apologies:

Richard Khaldi

### In attendance:

Noel Beale

(Director of Legal Services)

Dan Mason

(Assistant Board Secretary)

David Lancefield

(PwC) – items 3 and 4

Claire Forbes

(Senior Director of Corporate Communications)

Claire Simpson

(Strategic Adviser to the Chief Regulation Officer)

– items 3 and 4

Kalpesh Brahmhatt

(Director of Casework) – item 5

Andrew Beaver

(Director of Strategy) – item 6

Ronan Palmer

(Environment Director) – item 6

Bev Messinger

(Senior Director, Operations) – items 7 to 9

Sam Bache

(Head of Finance) – item 7

Carl Poulton

(Head of Information Management and  
Technology) – item 9

## 1. Declarations of interest

- 1.1 Chris Burchell informed the Board that he would be taking up the position as Managing Director, UK Trains for Arriva.

- 1.2 Jonson Cox noted to the Board that he would be leaving the Board of Wincanton plc at the end of May 2014.

## **2. Minutes**

- 2.1 With minor amendments, the Board agreed the minutes of the meeting held on 28 March 2014. The minutes would be published onto the Ofwat website.

## **3. PR14 – approach to setting baselines for wholesale cost assessment**

- 3.1 The Executive presented to the Board a proposed approach around recalculating the water cost thresholds for the two companies whose business plans have been categorised as enhanced – South West Water and Affinity Water.
- 3.2 The Board discussed the proposal. In particular, the Board discussed the importance of ensuring that the approach to wholesale cost assessment creates balanced incentives for efficiencies and fully protects the interests of consumers. The Board also recognised that the proposed approach is consistent with the policy adopted for enhanced companies.
- 3.3 The Board agreed to the proposed approach, noting that the approach reflects the importance of placing emphasis on enhanced business plans. The Board noted that the proposed approach would only apply to South West Water and Affinity Water as enhanced companies, and that Ofwat would legitimately take a different approach later in the process if any unintended consequences arose that were not apparent at this stage to the detriment of either company or their customers.
- 3.4 The Board agreed to delegate authority to Cathryn Ross and Sonia Brown to engage with South West Water and Affinity Water to resolve the way forward on this issue.

## **4. PR14 – Stakeholder coverage of 4 April announcement and reaction to the city briefing**

- 4.1 The Executive provided Board with a summary of the stakeholder coverage of the 4 April announcement that marked the end of the risk based review, along with a summary of the market reaction to Ofwat's city briefing.

- 4.2 The Board noted the update, and discussed the need for a review of customer engagement undertaken as part of the price review process to date.

## **5. Casework governance**

- 5.1 The Executive set out to Board revised processes for opening and deciding strategic casework. The Executive also proposed a new structure for the Board's Casework Committee, in the light of the departures of Penny Boys and Philip Marsden. The Executive highlighted that the proposals are designed to ensure that there is a robust decision making process in place while having access to competent decision makers who are not overly burdened.
- 5.2 The Board discussed the proposals, and noted the importance of ensuring clarity around the role of the Board as opposed to that of the decision maker. The Board also noted the need for Board to be regularly updated on progress with Ofwat's strategic casework.
- 5.3 The Board agreed to the various proposals from the Executive, and agreed that the new Casework Committee would be chaired by Catherine Waddams. The Board noted that it would be discussing Ofwat's revised casework strategy in the autumn, following the organisation's strategy refresh.

## **6. Ofwat strategy**

- 6.1 The Board held a workshop-style discussion around the development of Ofwat's revised strategy.

## **7. Budget update**

- 7.1 The Executive provided the Board with its monthly update on the organisation's financial position as at the end of March.
- 7.2 The Board noted the update.

## **8. Ofwat annual report and accounts**

- 8.1 The Executive set out to Board a proposed approach to preparing the annual report and accounts for 2013-14.
- 8.2 The Board noted the proposed approach.

## **9. Cyber security**

- 9.1 Wendy Barnes briefed the Board on cyber security, and in particular set out the current UK cyber security landscape and outlined the Board's cyber security responsibilities. Wendy Barnes also highlighted to Board a communiqué arising from a summit of Regulators held in February 2014.
- 9.2 The Board discussed the issue of cyber security and noted the importance of ensuring that cyber security is included by the Executive in its assessment and management of risk in the organisation. The Board agreed that the issue of cyber security would be tabled again at a future Board meeting.
- 9.3 The Board agreed to the assessment of Board level awareness of cyber security risk. The assessment would be returned to the Cabinet Office.

## **10. Chief Executive's Report**

- 10.1 The Board received an update on key issues. These included:
- the Water Bill;
  - the business transformation programme
  - a meeting held with the Parliamentary and Health Service Ombudsman

## **11. Any Other Business**

- 10.1 There was no other business.

**Dan Mason**  
**14 April 2014**