



Ofwat Board

Meeting held on Thursday 14 July 2011 in Cardiff

Members in attendance

Chairman:

Philip Fletcher

Chief Executive:

Regina Finn

Non-Executive Directors:

Penny Boys
Mike Brooker
Peter Bucks
Jane May
Gill Owen

Executive Directors:

Keith Mason
Cathryn Ross

In attendance:

Huw Brooker	(Director of Legal Services and Board Secretary)
Amanda Borrman	(Assistant Board Secretary – minutes)
Marian Spain	(Director of Policy and Communications) all items
Stuart Crawford	(Director of Corporate Services and Programme Management) all items
Sue Cox	(Head of Consumer Policy) item 3
Chris Esslin-Peard	(Director of Future Price Limits) item 4

1. Declarations of interest

1.1 None.

2. Minutes and actions arising

2.1 The Board approved minutes of the meeting of 16 June 2011. The minutes would be published on the Ofwat website.

3. Policy on customer engagement in setting price limits

3.1 The Board considered both a paper on consumer engagement in the price setting process, and its earlier discussion in a Board workshop on the same topic.

3.2 The Board agreed the key elements for inclusion in a policy statement to be published later this summer. Those key elements included:

- Different approaches for three broad levels at which customers could be engaged (industry, regional and local level);
- The regional engagement forum to be inclusive and to enable customers to challenge the companies and other stakeholders (e.g. quality regulators) on the drivers of the business plans;
- The development of an Industry Level Panel whose role would be to challenge, and provide advice to Ofwat on, issues that impact all companies;
- The need for processes to be proportionate and not to impose an undue process burden;
- Companies being both responsible and accountable for their own engagement process;
- Clarity around Ofwat's involvement at each of the three levels; and
- The role of the consumer representative body (CCWater at present or any replacement body should changes be made in the future).

3.3 The Board delegated the final signoff of the policy statement to the Chief Executive and Chairman.

4. Implementing FPL: Licence Conditions

4.1 The Executive presented an overview of how the current licence conditions interact with potential developments of the Future Price Limits project. The Executive recommended that Ofwat pursue an enabling licence modification so that licence changes that might be needed to

implement Future Price Limits could be proposed alongside the final determinations.

- 4.2 The Board agreed with the recommendation. Next steps included formally consulting companies on the proposed modification later this summer, alongside details of the relevant timetable.

5. Q1 Performance Summary and Risk Report

- 5.1 The Executive presented to Board its performance report on delivering Ofwat's strategy. It also set out the finance report for 2011-12. The Board discussed and noted progress against the strategy and the budget position.

- 5.2 The Board also discussed and noted the Strategic Risk Register report for Q1 2011-12.

6. Board Effectiveness

- 6.1 The Chairman presented a paper on Board effectiveness. The Board discussed the relevant key findings from the Government's review of Ofwat and CCWater and the outcomes of individual effectiveness discussions with Board members.

- 6.2 The Board agreed that the Remuneration Committee and the New Company Appointments Committee would document the outcome of their own self-assessment of effectiveness. The Audit Committee had already completed a review that contributed to the Audit Committee annual report to Board as part of the approval process for the 2010-11 accounts.

- 6.3 The Board agreed with the assessment of Board effectiveness presented and that this would be passed to the new Board.

7. Chief Executive's report

- 7.1 The Board received an update on key issues. These included:

- Stakeholder meetings, including the City Briefing;
- An update on Thames Tideway;
- The Government's review of Ofwat and CCWater; and

- Moody's assessment of Southern Water.

8. Board and Committee Membership during transition period

- 8.1 The Board discussed the transitional governance arrangements for the Board and its Committees to cover the period until Board has refreshed its membership.
- 8.2 The Committee agreed a number of short term appointments to committees. These were appointments to the Remuneration Committee (with Gill Owen appointed as Chair), New Company Appointments Committee and Audit Committee effective from 1 September to 31 December 2011. The Board also agreed to the arrangements developed by the Audit Committee at the previous Committee meeting that Penny Boys would immediately take over as interim Chair.
- 8.3 The Board agreed that the Executive would prepare an appropriate paper for the October Board meeting, in consultation with Philip Fletcher as the outgoing Chairman, the incoming Chairman and the current Non-Executive Directors, suggesting relevant amendments to, or confirmation of, the above appointments in light of further developments in recruiting new Board members.

9. Any other business

- 9.1 At her last Board meeting, the Board thanked Cathryn Ross for her work as a member of Board and as Ofwat's Director of Markets and Economics.
- 9.2 The Board received an update on the implementation of the reorganisation plans that it had approved at its February meeting. The Board noted progress.

Amanda Borrman

14 July 2011