



Ofwat Board Meeting held on 25 June 2015

Members in attendance

Chairman:

Jonson Cox

Chief Executive:

Cathryn Ross

Non-Executive Directors:

Chris Burchell
Martin Lawrence
Christine Farnish
Robin Paynter Bryant
Wendy Barnes
Catherine Waddams

Executive Directors:

Keith Mason
Richard Khaldi

General Counsel

Elizabeth Hillman

In attendance:

Rachel Wright	(Board Secretary)
David Black	(Acting Senior Director)
Nick Gammage	(Interim Director)
Nicci Russell	(Director)
Alison Fergusson	(Principal)
Jon Ashley	(Principal)
Andrew Duff	(Principal)
Elinor Mathieson	(Principal)

Apologies:

Sonia Brown

1. Declarations of interest

- 1.1. The minutes from the previous meeting on 28 May were agreed and will be published on the website. All actions from the 28 May were also confirmed as complete.

2. Chief Executive's Introduction

2.1. The Chief Executive gave her introduction to the Board meeting. Key updates included the following.

- Company results that had been published. The Executive agreed to provide a full update at the next meeting in July;
- The changes to the Thames Tideway Tunnel programme, including the date on which Thames Water will confirm the preferred bidder;
- The external environment following the outcome of the election, including ministerial changes and changes to government Committee Chairs;
- Changes to the macro-economic environment and the impact this will have on affordability;
- Update on internal progress to increase the organisational capability to ensure it can best deliver the strategy.

3. Ofwat's bi-monthly budget report

3.1. The Executive presented the financial position as of the end of month two of the financial year (covering April and May).

3.2. This was the first budget report since the reconfiguration of the finance system and introduction of the new time recording.

3.3. The Board reviewed the financial risks and opportunities register and discussed the use of virements to support resources in the short-term whilst the recruitment exercise to rebalance our skills concludes.

4. Towards Water2020 – July Consultation

4.1. The Executive presented an overview of the background, aims and objectives of the July consultation document, "meeting the challenges for water and wastewater services in England and Wales".

4.2. The Board discussed the importance of encouraging companies to think strategically beyond the 5 year control period

4.3. The Board noted that companies should be distinguishing between customer engagement and customer representation as they consider the tools they can

use to really understand what their customers want, need and can afford from their service providers.

- 4.4. The Board discussed the role of Ofwat as the regulator in protecting customers and in comparing the services and experience offered by different companies, including in measuring cost efficiencies.
- 4.5. It was agreed by the Board that Ofwat would continue its strong focus on capital and financial structures of companies in the sector.

5. Retail market opening – progress update

- 5.1. The Executive provided an update on the status of the Retail Market Opening programme, including the risks and opportunities of the delivery of the market.
- 5.2. The Board endorsed the contract for a delivery partner to support the programme. The contract had been circulated and discussed offline prior to the meeting.
- 5.3. The Board discussed the changes since the last Board discussion on the programme (30 April). These related to: (i) the governance arrangements of Market Operator Systems Limited (MOSL) and the transition of Open Water into Ofwat; (ii) the Baseline Review; (iii) the programme budget; and, (iv) programme communications.
- 5.4. The Executive agreed to report progress against a critical path of delivery in future Board updates.

6. Draft annual report and accounts

- 6.1. The Executive presented the draft annual report and accounts for 2014-15. This followed previous discussions with and consideration of comments from the Board in its April meeting and the Audit and Risk Assurance Committee meeting in May.
- 6.2. The Board agreed delegate authority to the Audit and Risk Assurance Committee to review the final annual report and accounts, subject to any material changes, ahead of the Accounting Officer formally signing them off on Tuesday 7 July.

7. Sub-Committee updates

- 7.1. Jonson Cox, as Chair of the Nominations and Governance Committee, provided an update on its' recent meeting which was held on 11 June.
- 7.2. Catherine Waddams, as Chair of the Casework Committee, provided an update on its' recent meeting which was held on 17 June at which it discussed the Fairfields Case. Jonson Cox left the room for this conversation.

8. Strategic Conversation: Future Customers

- 8.1. Following the meeting the Board had a strategic discussion on the topic of Future Customers, in which it discussed the challenges of changing customer behavior, expectations and demographics. The Board agreed that the sector needs to start thinking about customers very differently from how it currently does.

Rachel Wright
25 June 2015