

Meeting held on Thursday 26 April 2018
 Venue: Centre City Tower, 7 Hill Street, Birmingham B5 4UA

Members in attendance

Board attendees	
Jonson Cox	Non-Executive Director, Chairman
Martin Lawrence	Non-Executive Director
Tim Waggott	Non-Executive Director
Mark Bayley	Non-Executive Director
Catherine Waddams	Non-Executive Director
Alison Munro	Non-Executive Director
Rachel Fletcher	Chief Executive
John Russell	Executive Director
Aileen Armstrong	Executive Director
David Black	Executive Director
Jenny Block	General Counsel and Board Secretary
Other attendees	
Keith Mason	Senior Director, Thames Tideway Tunnel
Claire Forbes	Senior Director, Corporate Communications
Emma Kelso	Senior Director, Customers and Casework
Lisa Commane	Senior Director, Business Improvement
Alena Kozakova	Chief Economist
Tim Griffiths	Director, PR19
Georgina Mills	Director, PR19
Laura Nell	Director, Finance and Governance
Chris Pepper	Principal, Finance and Governance
Priya Sinha	Director, Market Outcomes and Enforcement
Sally Irgin	Director, Market Outcomes and Enforcement
Shaun Kent	Principal, Market Outcomes and Enforcement
Patrick Ellis	Director, Business Improvement
Rebekah Eden	Director, Programmes and Project Management

Apologies

Christine Farnish

Non-Executive Director

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 22 March were approved, subject to some minor comments.
- 1.2. There were no conflicts of interest to declare by reference to the matters on the agenda.

2. Chief Executive Report

- 2.1. The Chief Executive gave an update on the internal and external environments highlighting the following:
 - Project Connect: the Board noted publication of an important element of Ofwat's proposals to bring the sector back in balance, our consultation on sharing the outperformance associated with high gearing, and on our expectations of business plans in relation to dividend policy and executive pay. The Board hoped the sector would continue to engage constructively with the consultation.
 - NIC water infrastructure report: the Board noted the publication that morning of the NIC's report "Preparing for a Drier Future". The Board noted the importance of taking a long-term view of the issues and of Ofwat engaging closely in the further development of the NIC's proposals.
 - Q4 Portfolio Report: the Board noted the key items highlighted in the report as well as the budget report considering Ofwat's financial performance in the year to date and the summary of the current levels of our strategic risks and opportunities across the portfolio. The Board discussed the progress within the portfolio against key milestones set out in the 2017-18 Forward Programme.
- 2.2. Additional updates were provided on the progress of the procurement for the PR19 delivery partner; confirmation of the decision to allow Cholderton Water to become a private water supplier and for Wessex Water Services Limited to become the water undertaker for the Cholderton area; progress on Ofwat's

casework; and on the recent event marking the first anniversary of the opening of the business retail market.

3. Market Outcomes and Enforcement

First annual 'State of the Market' report

- 3.1. The Board discussed the proposed approach to Ofwat's first annual State of the Market report highlighting the development of competition in the business retail market and assessment of customer outcomes, the emerging findings and the key messages to be conveyed in the report. The report is due to be published at the end of June.
- 3.2. The Board noted the intention that this be an objective account of the market one year on, and that it will aim to establish a benchmark position for our ongoing market review work. A key perspective will be the extent to which different customer segments are experiencing different outcomes.
- 3.3. It is still early days in terms of the maturity of the market, and the Report will highlight policy issues where relevant. It will be important to measure the success of the market by reference to the wider benefits that it enables, e.g. improved data provision and management, innovation and improvements in water efficiency and improved customer service generally including in the non-competitive part of the market. The Report will therefore also help inform Ofwat's strategic thinking concerning these potential wider benefits of opening the business retail market.
- 3.4. The Board delegated sign-off of the publication of the report to the Chief Executive and Senior Director, Customers and Casework, subject to further consideration by correspondence of the Executive Summary and subject to no further material changes to the work or conclusions emerging as Ofwat continued to monitor the market and gather evidence.

MOE quarterly update

- 3.5. The Board received for information an overview of work across the MOE programme.
- 3.6. The Board noted the developments within the Programme's activities during Q4 including the vision for the business retail market that we had launched at the recent anniversary event, and the substantial progress on our casework and licensing process improvements.

- 3.7. The Board confirmed it found it useful to receive quarterly updates from the MOE Programme to ensure it remains sighted on work that might not otherwise come to Board for decision, such as transactional casework and customer complaints information.

4. Finance and Governance

Board leadership, transparency and governance

- 4.1. The Executive presented emerging proposals to improve the board leadership, transparency and governance (BLTG) of water companies, and sought a steer from the Board on the direction of travel. The Board noted the intention to develop these further with a view to seeking further input from stakeholders before publishing a formal consultation in June 2018.
- 4.2. The Board discussed and considered the key areas Ofwat intended to focus on in order to deliver better outcomes for customers: how to improve and strengthen the voice of independent directors; the approach to transparency of executive pay and performance; and proposed approaches to increasing compliance with the principles and the level of flexibility companies should be allowed to have in terms of their governance structures to reflect their particular circumstances.
- 4.3. The Board noted that these proposals should be set in the broader context of wider work in this area, but having regard to the importance of public utility providers having exemplary standards of governance. It was also important to see a genuine culture shift.

5. Business Improvement

Vision for Business Improvement Programme

- 5.1 The Board noted the reflections on the work achieved to date within the programme, the key strategic challenges, the programme's objectives over the coming years, and the approach taken to prioritise some areas within the programme.
- 5.2 The Board noted the need for Ofwat to be robust for the future, focus its resources and capability more sharply than ever, and adapt as our regulatory work evolves. The Board considered the programme was correctly targeted and focussed and welcomed the strategic clarity of the presentation.

Ofwat's strategic objectives, risks and opportunities

- 5.3 The Board had a constructive discussion on Ofwat's strategic objectives, and overall approach to strategic risks and opportunities. The Board agreed the overall approach and objectives at a high level and agreed the Executive should develop the new risk register on this basis.

6. Any Other Business

- 6.1. There was no other business and the Chairman closed the meeting.

Jenny Block

Board Secretary

26 April 2018