

Meeting held on Thursday 20 September 2018  
 Venue: Centre City Tower, 7 Hill Street, Birmingham B5 4UA

## Attendance

<b>Board attendees</b>	
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
Christine Farnish	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
<b>Other attendees</b>	
Keith Mason	Senior Director, Thames Tideway Tunnel
Lisa Commane	Senior Director, Business Improvement
Claire Forbes	Senior Director, Corporate Communications
Emma Kelso	Senior Director, Customers and Casework
Tim Griffiths	Director, PR19
Grace Garner	Principal, Analytics
Stephen St Pier	Director, Finance and Governance and PR19
Giles Stevens	Director, Strategy Hub
Ronan Palmer	Director, Strategy Hub
Thomas Handysides	Principal, Strategy Hub
Mark Anderson	Principal, Corporate Communications (PR19)
Juliet Young	Director of Economics
Paul Oxley	Principal, Analytics

Marco Wasowski	Senior Associate, Analytics
Alex Whitmarsh	Principal, Analytics
Laura Nell	Director, Finance and Governance
Christopher Pepper	Principal, Finance and Governance
Amit Kamal	Principal, Finance and Governance

## **1. Opening Items and Declarations**

- 1.1. The minutes of the Board meeting held on 26 July 2018 were approved subject to some minor amendments.
- 1.2. There were no conflicts of interest to declare by reference to the matters on the agenda.

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

- 2.1. The Chief Executive gave an update on the internal and external environments highlighting the following:
  - National Drought Group “Leakage Summit”: it was clear that there remained concerns about the implications of the long dry spell over the summer. The National Drought Group that day was publishing a statement on this issue urging continued focus and vigilance. This was an industry-wide concern, although potentially more acute for certain companies. It was recognised that demand side considerations required similar focus. The Board noted the important contribution Ofwat could make to the development of policy in this area, including in terms of the economic rationale for intervention and the understanding of the relative costs and benefits of options under discussion.
  - Company business plans: the Board discussed the initial impressions of business plans. The Board also briefly discussed issues arising in relation to particular companies and how issues were being taken forward.
  - Pay remit: the Board noted delays in taking forward the pay award.

### **3. PR19**

#### **PR19 initial observations on company business plans**

- 3.1. The Executive presented, and the Board discussed, some very initial observations on company business plans submitted on 3 September and on some of the issues we may see emerging at a sector and individual company level. However, there remained much work to consider and, where necessary, query the plans and assess them by reference to the IAP criteria.

#### **Annual performance report**

- 3.2. The Board received for information the key messages on operational and financial performance drawn from the 2017-18 annual performance reports.
- 3.3. The Board noted the key observations from analysis of the annual performance report submissions and considered the key issues or messages that should be highlighted when we publish the financial monitoring report and service delivery report in due course.

### **4. Strategy Hub**

#### **The vision and our emerging strategy**

- 4.1 The Chief Executive presented the proposed approach to the development of a new vision for the sector and a new strategy for Ofwat over the medium term, and the need for both to evolve to meet the challenges the sector faced. Numerous stakeholders are demanding a step change in performance and governance, with challenges arising from, among other things, the need to secure long-term resilience and meet increasing customer expectations.
- 4.2 The Board discussed the emerging draft vision for the sector and headline questions for the development of Ofwat's strategy and agreed that this work should begin now rather than wait until after PR19. The Board urged the Executive to keep this simple and straightforward, and also to consider our role and the issues facing the sector in the widest sense, in order to develop a clear strategy for the discharge of Ofwat's responsibilities in line with its duties and the Governments' strategic policy statements.

- 4.3 The Board considered other possible opportunities and issues that could arise in the context of this work.

## **5. Market Outcomes and Enforcement**

### **Strategic Direction for the Business Retail Market**

- 5.1 The Executive presented a paper on the development of proposals on business retail default tariffs post 2020, taking account of Ofwat's findings in the first 'State of the Market' review of competition in the business retail market. Ofwat's report had noted a number of frictions which, if they could be addressed, would be likely to better support the development of this new market.
- 5.2 The Board discussed and provided a steer on some of the strategic questions that arose with respect to the development of competition more widely, noting that further work was being undertaken on the underlying evidence base in relation to the particular issues concerning default tariffs and that a firmer proposal would be brought back to the Board.

## **6. Finance and Governance**

### **Review of Board Leadership, Transparency and Governance**

- 6.1 The Executive provided an update on responses to the consultation on board leadership, transparency and governance principles published in July.
- 6.2 The Board discussed the proposed approach to the key issues regarding the Principles raised in the consultation, including with respect to the proposal to introduce a licence amendment on compliance with the principles. The Board discussed recent cross-sector corporate governance developments and the proposed approach and timing for concluding the review.

## **7. Update from Committee Chair**

### **Casework Committee**

- 7.1 The Chair of the Committee reported on the July meeting at which the Committee discussed and made the final decision in the Thames Water enforcement case.

- 7.2 The Board noted that the Committee confirmed its decision to approve the proposed Final Decision, and delegated finalisation of the final notice and undertakings documents to the Chief Executive.

## **8. Any Other Business**

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

**Jenny Block**

**Board Secretary**

**20 September 2018**