

Meeting held on Thursday 13 December 2018
 Venue: Centre City Tower, 7 Hill Street, Birmingham B5 4UA

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
Christine Farnish	Non-Executive Director
Rachel Fletcher	Chief Executive
Aileen Armstrong	Executive Director
David Black	Executive Director
John Russell	Executive Director
Jenny Block	General Counsel and Board Secretary
Other attendees	
Lisa Commane	Senior Director, Business Improvement
Alena Kozakova	Chief Economist
Martyn Andrews	Director, PR19
Andrew Chesworth	Director, PR19
Justine Dade	Senior Associate, PR19
Rebekah Eden	Director, Programmes and Project Management
Alison Fergusson	Associate Director, PR19
Paul Fox	Senior Engineer, PR19
Ynon Gablinger	Director, PR19
Grace Garner	Principal, Analytics (PR19)
Colin Green	Director, PR19
Kay Greenback	Principal, PR19
Tim Griffiths	Director, PR19

Dawn Harrison	Principal, Analytics (PR19)
Peter Jordan	Associate Director, PR19
Georgina Mills	Director, PR19
Sarfraz Nawaz	Director, Finance (Operations)
Laura Nell	Director, Finance and Governance
Anita Payne	Director, PR19
Jonathan Read	Director, PR19
Stephen St Pier	Director, PR19
Andy Titchen	Principal, Analytics (PR19)
Jacob Wood	Associate Director, PR19
Apologies	
Sophie Shaw	Director, Legal, PR19

*Martin Lawrence joined the Board meeting by conference call from the USA.

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 22 November 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 Board discussed key issues arising from the Chief Executive's report, including the report of the SIRO. The Board discussed the approach to the safeguarding of Ofwat assets and the steps being taken to improve our statistics on loss or theft.

3. Finance and Governance

Board Leadership, Transparency and Governance

- 3.1 The Executive presented the proposed revised package of principles on Board leadership, transparency and governance, including revisions to the structure and

content of the principles, the proposed licence condition and the approach to compliance.

- 3.2 The Board discussed and agreed the near final objectives and provisions and the Executive's other proposals. It welcomed the principles-based approach, the proposed steps for monitoring and reporting, and that compliance would not be a "tick box" exercise but would require company Boards to take active ownership for achieving appropriate governance.
- 3.3 The Board agreed to delegate responsibility to the Senior Director, Finance and Governance, in consultation with the Chair and Chief Executive, for finalising the detailed text of the objectives and provisions, and deciding the final text of the licence condition, provided there were no material changes to the general approach discussed.
- 3.4 The Board considered the proposed approach to further engagement with companies on the proposed licence condition, and noted the proposed timeline for introduction of licence conditions.

4. Business Improvement

Draft Forward Programme 2019-20

- 4.1 The Board discussed the 2019-20 draft Forward Programme which sets out Ofwat's strategic outcomes and reflects the key activities Ofwat's programmes and hubs intend to deliver in a year which promises to be dynamic and challenging, and a key year in terms of delivery of the 2020-25 price review. The Board agreed with the proposed minor changes to the format of the forward programme, including:
- to include a detailed section on how the work we do within our programmes and hubs will help Ofwat to achieve its strategic outcomes, demonstrating a stronger link between the work we do and the impact it has on the sector for customers; and
 - the inclusion of a high-level organogram which sets out the Senior Responsible Owners for each of Ofwat's programmes and hubs to provide greater transparency.
- 4.2 The Board suggested a number of other minor amendments to the draft for consultation.

- 4.3 The Board delegated authority to the Chief Executive to sign off the publication of the final Forward Programme subject to no substantive changes being made following consultation.

2019-20 Budget and Licence Fees

- 4.4 The Board discussed the proposed overall budget and total annual licence fees for 2019-20 with a view to approving the overall budget figure for consultation in January 2019 as part of the draft Forward Programme. The Board noted that the proposed budget ensures that we remain within the Comprehensive Spending Review control total.

5. PR19

- 5.1. The Executive presented the preliminary results of each company's test area scores in relation to the initial assessment of company business plans for PR19. The Board also received an update on the approach to assurance within the programme in conducting the analysis.
- 5.2. The Executive sought comments and challenge from the Board in each of the 9 test areas: outcomes; cost assessment; securing confidence and assurance; past delivery; controls, markets and innovation; engaging customers; affordability and vulnerability; securing long-term resilience; and risk and return. The Board commented on company grades in each test area and how they interacted. In particular, the Board considered carefully the boundaries of test area grading, the companies at the boundaries and the best and poorest performing companies for test areas, based on this initial assessment. The Board provided a steer on the approach taken and on areas where further consideration was required to reflect the aims of the test area questions.
- 5.3. The Board also considered sector performance against the four themes of PR19 (great customer service, affordable bills, resilience in the round and innovation) and the linkages to the UK and Welsh Governments' strategic priorities. The Board agreed that subject to addressing the issues they had raised, they were content that the test area analysis conducted by the team provided a sound basis for the decisions to be made in January on the categorisation of company business plans. The Board agreed that the grading should be reassessed and finalised by the Executive.

Strategic Discussion: reflection and next steps

- 5.4. The Board considered at a high level its overall impressions of the outcome of the test area assessment and the key issues and questions raised that would feed into its “in the round” assessment in January 2019.

6. Update from Committee Chairs

Remuneration and People Committee

- 6.1 The Chair of the Committee reported on the special meeting held by telephone conference on 29 November at which the Committee discussed and agreed the proposed SCS pay award for 2018-19.

Audit and Risk Assurance Committee

- 6.2 The Board agreed that the update following the December meeting of the Committee would be provided at a later date.

7. Any Other Business

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

Jenny Block

Board Secretary

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