

Meeting held on Thursday 26 September 2019
 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
Christine Farnish	Non-Executive Director
Alison Munro	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
Claire Forbes	Senior Director, Corporate Communications
Emma Kelso	Senior Director, Customers and Casework
Alena Kozakova	Chief Economist
Keith Mason	Senior Director, Thames Tideway Tunnel
Martyn Andrews	Director, PR19
Andrew Chesworth	Director, PR19
Alison Cullen	Associate Director, PR19
Martin Crouch	Interim Managing Director, RAPID
Alison Fergusson	Associate Director, PR19
Ynon Gablinger	Director, PR19
Colin Green	Director, PR19
Tim Griffiths	Director, PR19
James Hawthorne	Principal, Strategy Hub

Elinor Mathieson	Associate Director, Finance and Governance
Anita Payne	Director, PR19
Bart Schoonbaert	Director, PR19
Stephen StPier	Director, PR19
Sophie Shaw	Director, Legal, PR19
Dan WalkerNolan	Principal, PR19

*Martin Lawrence joined the Board meeting from the USA.

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 23 July 2019 were approved.
- 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. Updates were provided and discussed on the following matters:
 - The Chief Executive and Chair reported on their recent meeting with Rebecca Pow MP, Parliamentary Under-Secretary of State, Defra.
 - The Board discussed how best to deepen our relationship with Welsh stakeholders, and noted the intention to establish a permanent presence in Wales.
 - The Board noted and discussed a paper providing an update on sector readiness for EU Exit.
 - The Chief Executive gave an update on plans for the launch of Ofwat's new strategy in October.
 - The Executive provided an update on recent meetings with companies.
 - The Executive provided an update on the publication of the NIC's report: Strategic Investment and Public Confidence.

- The Board approved the entry into a contract for a new Casework Management System and delegated the final award and entry into the contract to Lisa Commane, SRO, Business Improvement.

3. PR19

Overview

- 3.1. The Executive presented an overview of the PR19 programme providing a summary of key issues to be discussed in more detail at the meeting. It also included an overview of the key issues raised by respondents to the consultation on draft determinations, including on the overall level of stretch in the draft determinations.
- 3.2. The Board discussed the approach to final determinations, including the calibration of the overall level of challenge.

Representations and cross-cutting issues

- 3.3. The Board received for information an overview of company and other stakeholder responses to the draft determinations, including a high level overview of responses and public comments and emerging key themes. The Executive presented an overview of the key cross cutting issues raised, including on risk and return, past delivery, direct procurement for customers, outcomes, affordability and vulnerability and customer engagement, including the views of CCGs (where received) and comments on how Ofwat was taking account of customer engagement research.
- 3.4. The Board discussed and agreed the proposed approach to bill profiling. The Board noted the proposed approach to taking forward a separate price control in relation to the proposed Havant Thicket reservoir.
- 3.5. The Board noted that the Executive's observations were based on the initial review of representations from companies and other stakeholders, and these issues would be discussed further at the Board meetings in October and November. The Board also noted the proposed approach to engagement with stakeholders in the period up to final determinations.

Cost efficiency – key issues raised in representations

- 3.6. The Executive presented an overview of the key issues raised by companies in response to draft determinations on cost efficiency. It also provided to the Board an early view of the impact of the new 2018-19 data received from companies.

Direct procurement for customers – United Utilities’ Manchester and Pennines resilience scheme

- 3.7. The Board received an update on the development of United Utilities’ Manchester and Pennines resilience scheme (M&PR) proposed to be delivered through a direct procurement for customers (DPC) process.
- 3.8. The Board agreed that the SRO, PR19 should have authority to approve the strategic outline business case for the M&PR on behalf of Ofwat.

Service Delivery report

- 3.9. The Board discussed the overall approach to the service delivery report for 2018-19. The Board noted the key messages and proposed approach to external communications.

4. Finance and Governance

Dealing with companies in financial distress

- 4.1. The Executive provided a recap to the Board on the exercise that was undertaken in 2015 to test the procedures for dealing with a company in financial distress and the lessons learned from it. The Board considered the plan to review and update Ofwat’s procedures in this respect.

5. Business Improvement

Defra Framework Agreement

- 5.1. The Executive provided an update on progress in agreeing a framework document with Defra. The Board considered the draft framework agreement and delegated authority to the Chief Executive to sign off the final document, subject to there being no material changes.

Regulators' Alliance for the Promotion of Infrastructure Development (RAPID) Memorandum of Understanding (MOU)

- 5.2 The Executive provided an update on the progress made by RAPID, the Ofwat programme established with the support of the EA and DWI, to facilitate cross-regulatory collaboration to identify and promote the development of national water resources infrastructure that is in the best interests of water users and the environment, and to help identify the features of an enduring regulatory regime for such projects.
- 5.3 The Board discussed the draft MOU between the regulators setting out RAPID's structure, scope, objectives and mode of operating. It was noted that the MOU supplemented, but did not replace, the existing memoranda with the EA and DWI.
- 5.4 The Board delegated authority to the Chief Executive to approve and sign the MOU on Ofwat's behalf, subject to there being no material amendments. The Board also authorised the Chief Executive to agree any similar such arrangement involving Natural Resources Wales.

Actions following Board Effectiveness Review

- 5.5 The General Counsel presented to the Board an action plan in response to the external evaluation of the Board that was undertaken earlier in the year. The Board noted the next steps and that a monthly update on progress with the plan would be provided to the Chair.

6 Update from Committee Chair

Audit and Risk Assurance Committee

- 6.1 The Chair of the Committee reported on the September meeting at which the Committee received an update on the overall security profile for Ofwat including in the context of the Transforming Government Security Programme and how Ofwat is utilising the services available.
- 6.2 The Committee also discussed assurance under the PR19 Programme which focused on programme readiness for the final determinations phase of PR19, taking account of lessons learned.
- 6.3 The Committee also discussed the strategic risks and opportunities register, focussing on risks relating to the external environment and the Business Improvement Programme's management of risk.

- 6.4 Finally the Committee discussed two reviews undertaken by Ofwat's internal auditors on the licence application process and delegated decision-making.

7 AOB

- 7.1 The Board reflected on the meeting and considered the Board forward plan.
- 7.2 There was no other business and the Chairman closed the meeting

Jenny Block

Board Secretary

26 September 2019