

Attendance

Board attendees	
Jonson Cox	Non-Executive Director, Chairman
Mark Bayley	Non-Executive Director
Christine Farnish	Non-Executive Director
Martin Lawrence	Non-Executive Director
Alison Munro	Non-Executive Director
Catherine Waddams	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
Claire Forbes	Senior Director
Emma Kelso	Senior Director
Alena Kozakova	Chief Economist
Keith Mason	Senior Director
Emily Bulman	Director, Markets and Charging
Jane Jellis	Director, Legal
Elinor Mathieson	Associate Director, Financial Resilience, Performance & Outcomes
Sarfraz Nawaz	Finance Director
Christopher Pepper	Principal, Performance & Outcomes

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 23 April 2020 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 contents of the Chief Executive's report were noted and discussed, including an update on our and the sector's response to Covid-19. The Board noted in particular:
- The response to the measures Ofwat put in place in the business retail market to provide additional liquidity, which had been largely positive, noting the consensual and well-balanced approach Ofwat had taken.
 - The publication of notices under s.13 Water Industry Act 1991 on updated standard ring-fencing measures.
 - The submissions made to the CMA appeal process which the Board acknowledged had involved a considerable amount of work for the team. The Board noted the CMA's procedural timetable and the key steps from this point onwards.
 - Proposals put forward by the Council for Sustainable Business advocating steps the water industry could take to support a 'green recovery' following the pandemic.
 - That the Public Accounts Committee was holding a hearing on 1 June in the context of the NAO's March 2020 report on water supply and demand management, which Rachel Fletcher had been invited to attend.
 - The update on the emerging position throughout the country in relation to likely continued dry weather in the summer months, and the steps being taken by companies and the EA to prepare.

3. Draft Annual Report and Accounts 2019-20

- 3.1 The Executive presented the draft annual report and accounts 2019-20 and provided an update on progress of the audit.
- 3.2 The Chair of the Audit and Risk Assurance Committee (ARAC) reported on the special ARAC meeting at which the Committee reviewed the draft annual report and accounts, enabling members to highlight key issues. The Chair of the Committee reported that the revised report presented to the Board reflected the Committee's comments well.

- 3.3 The Board discussed the key themes contained within the draft annual report and the proposals made by ARAC. The Board noted the areas that had yet to be finalised.
- 3.4 Subject to there being no material issues subsequently raised by Ofwat's external auditors or by ARAC, the Board referred to the Audit and Risk Assurance Committee the final recommendation to the Accounting Officer on whether it was appropriate to sign off the annual report and accounts.

4. Dealing with companies in financial distress

- 4.1. The Executive gave feedback to the Board on the exercise undertaken earlier in the year to test Ofwat's response to a company in financial distress, reflecting a commitment in Ofwat's forward programme for 2019-20, as part of good housekeeping (we had last formally tested our procedures in 2015).
- 4.2 The Board noted that the exercise was planned and substantially completed before the Covid-19 pandemic and was not a reaction to it. However, it had supported our preparations for some of the actions needed in response to Covid-19.
- 4.3 The Board noted and agreed the proposed next steps, identifying areas where further work would be appropriate to improve our understanding of companies' positions or to develop our internal policy position. This includes taking account of learning from our experience to date of dealing with resilience issues arising in the context of the business retail market as a result of Covid-19.

5. Business Retail Market

Arrangements in the event of a retailer default

- 5.1. The Executive provided an update to the Board on the measures taken to mitigate the impact on customers of potential unplanned exits from the business retail market including proposed next steps.
- 5.2. The Executive highlighted the areas of main focus and ongoing engagement with the market and with the market operator, MOSL.
- 5.3. The Board agreed that a combination of short term work to strengthen the default options for customers on a retailer exiting the market, alongside enduring changes to the market rules and processes, including CMOS, was appropriate.

6. Board effectiveness reviews 2020

- 6.1. The Board Secretary presented the conclusions of the Board, ARAC and People Committee effectiveness reviews for 2020, incorporating the results of the surveys undertaken by Board members and feedback provided in individual appraisal meetings with the Chair carried out earlier in the year.
- 6.2. The Board noted the progress made in addressing themes arising from the previous evaluation. The Board also noted the next steps to develop and key areas to focus on in the coming year. In particular, the Board commented on lessons learned from the Covid-19 pandemic in terms of focus and management of the Board's time, and the ability to conduct meetings remotely. The Board also discussed the value of more informal interactions between the Board and Executive as policy was developed.

7. Update from Committee Chair

Audit and Risk Assurance Committee

- 7.1. The Chair of the Committee reported on the May meeting at which the Committee focused on the annual report and accounts 2019-20.
- 7.2. The Committee noted the progress made to deliver the internal audit plan for 2019-20 and also noted the draft annual internal audit report for 2019-20 from Mazars.
- 7.3. The Committee also noted the internal audit report on Delegated Decision Making – Part 2, an advisory review with a focus on the design and implementation of the decision-making framework.

8. AOB

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

Jenny Block
Board Secretary
21 May 2020