

Board meeting held on 23-24 July 2020
(By video link / conference call – BlueJeans)

Attendance – Day 1

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
Brett Armstrong	Senior Associate, Corporate Governance, Regulatory Enablers
Andrew Chesworth	Director, Financial Resilience, Performance & Outcomes
Richard Edwards	Principal, Corporate Governance, Regulatory Enablers
Paul Fox	Principal, PR19
Shaun Kent	Principal, Business Retail, Performance & Outcomes
Dan Mason	Associate Director, Business Retail, Performance & Outcomes
Elinor Mathieson	Associate Director, Financial Resilience, Performance & Outcomes
Georgina Mills	Director, Business Retail, Performance & Outcomes

Gillian Tanfield	Senior Associate, PR19
Jake Wood	Associate Director, PR19
External attendee	
Vanessa Howlison	Independent member of Audit and Risk Assurance

***Catherine Waddams joined the Board meeting from item 5 onwards.**

1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 25 June 2020 were approved subject to some minor amendments.
- 1.2. Vanessa Howlison (Independent Member of Audit and Risk Assurance Committee) attended the meeting as an observer and took no part in any decisions taken.
- 1.3. Martin Lawrence recused himself from the forward looking discussion of the business retail market.
- 1.4. There were no other 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 feedback from CMA hearings held on 15 and 22 July;
 - the sector's response to the Chief Executive's letter of 14 July;
 - an update on the availability of our offices, noting that the Birmingham office had recently opened for a phased return in line with government guidance, with the London office to open shortly on a similar basis;
 - the government's announcement of a 3 year Comprehensive Spending Review, the timescales and overall HMT approach, with initial views from the Executive on Ofwat's proposed approach; and
 - the most recent results of the staff health and wellbeing survey.

3. Quarterly Portfolio Report

- 3.1 The Board received an update on Quarter 1 performance and noted the progress made on delivery of Ofwat's strategy and meeting our forward programme commitments.
- 3.2 The Board discussed and agreed the delay to some of the milestones set out in the Forward Programme largely due to some prioritisation as a result of resourcing constraints and Covid-related issues. The Board noted that in most cases the anticipated delay was expected to be short and every effort was being made to catch up to meet commitments over the course of the full year.

4. Strategic Risks and Risk Appetite

- 4.1 The Board discussed the review of Ofwat's strategic risks and opportunities. The Board agreed that Ofwat's approach should be flexible to the circumstances and the nature of the risks involved. Having regard to this, the Board agreed that Ofwat's risk appetite should generally be open save in relation to risks to the delivery of outcomes for customers or the wellbeing of our people where our appetite for risk was more cautious.
- 4.2 The Board agreed with the proposed next steps.

5. Business Retail Market

- 5.1. The Executive gave an update to the Board summarising key messages from the Year 3 State of the Market report and the proposed approach to publication of the report over the summer.
- 5.2. The Board received an update on the assessment of how the market is currently functioning and noted the work underway to address identified strengths, weaknesses, opportunities and threats. In particular it considered the importance of both wholesalers and retailers working collaboratively to improve the quality of customer, consumption and asset data.
- 5.3. The Board discussed work underway and planned in relation to the business retail market, and noted its support.

6. Financial Resilience

- 6.1. The Board received an update on ongoing engagement with a number of companies on their performance and financial resilience.
- 6.2. The Board discussed the approach Ofwat should take, both at the company level and more directly through engagement with investors.

7. PR19 Lessons Learnt

- 7.1. The Executive presented to the Board the key findings from the PR19 lessons learnt exercise, which follows both internal and external stakeholder engagement.
- 7.2. The Board noted the Executive's proposal to make a commitment to set out the outline timetable for PR24 alongside other key PR24 outputs, in April 2021.

The meeting closed and resumed the following morning.

Attendance – Day 2

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
Alena Kozakova	Chief Economist
Keith Mason	Senior Director
Martyn Andrews	Director, Future Assets & Resources
Richard Barton	Senior Associate, Future Assets & Resources
Fayza Benlamkadem	Principal, Performance & Outcomes
Laura Easterbrook	Senior Associate, Performance & Outcomes
Nigel Ellard	Senior Associate, Future Assets & Resources
Kate Kendall	Director, Financial Resilience, Performance & Outcomes
Aoife McNally	Principal, Innovation, Performance & Outcomes
Seemaab Naseem	Senior Associate, Innovation, Performance & Outcomes
Anita Payne	Director, Insight & Impact
Jonathan Read	Director, Innovation, Performance & Outcomes
Bart Schoonbaert	Director, Performance & Outcomes
Matthew Tregear	Principal, Insight & Impact
Rachel Wright	Director, Innovation, Performance & Outcomes
David Young	Principal, Future Assets & Resources

Shadow Board attendees	
Habibatou Gani – Chair	Associate, Legal, Regulatory Enablers
Melissa Dooley	Associate
Mirena Hadzhigenov	Senior Associate
Jeevan Jones	Senior Associate
George Miller	Graduate Associate
Sean Mills	Graduate Associate
Kirsty Stober	Associate
Mark Anderson – Observer	Director, Regulatory Enablers

For the first two items, we ran a shadow board made up of Ofwat colleagues with a focus on those younger than the typical board member. We will take what we learned from this to consider further how to improve diversity of views around the board table.

1. Innovation competition

- 1.1. The Board received an update on taking forward the setting up and running of an innovation competition this financial year as set out in the context of PR19 final determinations.
- 1.2. The Board agreed with the proposed approach to procure an independent entity following a competitive tender process to support Ofwat in setting up the competition and in advising Ofwat on bid management and the assessment of suitable proposals, with the final decision remaining with Ofwat. The Board delegated authority to John Russell, in his capacity as Senior Director responsible for the innovation fund, to appoint and contract a suitable supplier.

2. Ofwat’s strategy on Environment

- 2.1 The Executive presented to the Board for discussion the proposed strategic priorities for Ofwat’s work in relation to the environment and our approach to using data and insights to support this work.
- 2.2 The Board provided its views on priorities as well as on the potential risks and opportunities for our work in this area. The Board noted the importance of our ongoing collaboration with other relevant regulators, notably the EA and NRW, and the key relevance of environmental considerations in both the UK and Welsh policy context.

3. Direct Procurement for Customers

- 3.1 The Board received an update on the development and implementation of Ofwat's direct procurement for customers (DPC) arrangements. The Board also discussed the governance arrangements associated with the approval of these arrangements.
- 3.2 The Board discussed Ofwat's role in the context of the various stages of approval for DPC arrangements at relevant gateways and its approach to consideration of the underlying contractual arrangements. It noted the overall size of some of the projects had increased significantly since proposals were first submitted. Whilst recognising that each project would have its own particular characteristics and therefore this may not be appropriate in many or most cases, the Board discussed at a high level whether it may be appropriate to consider licensing arrangements under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 for complex projects if the criteria were met.
- 3.3 The Board discussed the proposed timing for any relevant approvals and agreed that in order to allow consideration of gateway approvals in a timely manner, decisions should be delegated to the Thames Tideway Tunnel Committee. The Board considered Ofwat's intervention should be proportionate by reference to the nature of the particular scheme.
- 3.4 The Board discussed the Executive's proposal to undertake a further non-statutory consultation in late July on proposed licence conditions, reflecting the responses received from Appointees and other stakeholders to an earlier round of consultation.

Jenny Block

Board Secretary

24 July 2020