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Rules of Procedure for the Water Services Regulation Authority (Ofwat)

Ofwat

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Rules of Procedure for the Water Services Regulation Authority (Ofwat)

Introduction

1. The Water Services Regulation Authority (Ofwat) came into being on 1 April 2006. The Board has approved these Rules of Procedure (or “Rules”) and the relevant accompanying appendices in accordance with Schedule 1A of the Water Industry Act 1991 (WIA91).

Interpretation

2. These Rules shall be read and interpreted together with the provisions of the WIA91 and any other relevant legislation as amended or re-enacted from time to time. If there is any conflict between these Rules and any relevant statutory provision, the statutory provision shall prevail.

Definitions

3. In these Rules, the following words shall have the meanings that are given to them below:

Accounting Officer	The person from time to time appointed by the Principal Accounting Officer, HM Treasury, to the role of accounting officer of Ofwat, normally the Chief Executive.
Board Member	Means an individual appointed from time to time to hold office as a member of Ofwat’s Board and “Member” shall be construed accordingly.
Board Secretariat	Means one or more Ofwat employees nominated from time to time to provide administrative support and assistance to the Board (including Committees) and its Members.
Board Secretary	Means the person from time to time appointed to the role of Board Secretary of Ofwat.
Chair	Means the person from time to time appointed to the role of Chair of Ofwat. In the case of all or part of a Board meeting at which the Chair is absent or has a relevant conflict of interest in relation to any matter, any reference to the Chair shall be taken to be a reference to the Replacement Chair.

Chief Executive	Means the person from time to time appointed to the role of Chief Executive of Ofwat by the Board, on the recommendation of the Chair, and includes any person appointed on an interim basis to fulfil that role.
Committee	Means an Ofwat committee established by the Board in accordance with these Rules.
Committee Member	Means a person appointed from time to time to serve on an Ofwat committee established by the Board in accordance with these Rules.
Executive	The group of persons having administrative responsibility for the management and leadership of Ofwat on a day to day basis, led by the Chief Executive.
Replacement Chair	Means the Board Member who is appointed in accordance with these Rules to chair all or part of a Board meeting at which the Chair is absent or has a relevant conflict of interest in relation to any matter.
Reserved Matter	Means a matter which is reserved to the Board for decision by the Board (as listed in Appendix B) and has not been delegated by the Board, except in any case in which either paragraph 44 or 45 applies.
WIA91	Means the Water Industry Act 1991 (as amended or re-enacted from time to time)

4. Unless the context requires otherwise, in these Rules:

- the masculine gender includes the female gender, and vice versa;
- the singular includes the plural, and vice versa; and
- the use of the word ‘including’ shall be read without limitation.

Role and responsibilities of Board Members

5. The Board has adopted the following principles:

- The Board will operate on the basis of the principles of collective responsibility with respect to all decisions made, support and respect and in accordance with the principles of good corporate governance. Normally, decisions will be taken by consensus. Board Members should normally speak with one voice in public on Ofwat issues.
- All decisions will be recorded. Minority views will not normally be made public, but if a vote is necessary, the outcome of this will be recorded in Board minutes.

6. The collective responsibilities of Board Members include:

- the discharge of Ofwat’s duties under the WIA91 and any other relevant legislation;
- establishing Ofwat’s overall strategic direction in the context of a robust policy and resourcing framework;
- ensuring that the highest standards of corporate governance are observed at all times;
- ensuring that effective arrangements are in place to provide assurance on risk management, governance and internal control;
- ensuring that Ofwat operates within the limits of its statutory authority and that a robust framework of delegation is in place;
- generally overseeing the discharge by the Executive of Ofwat’s day to day business; and
- ensuring that Ofwat’s culture promotes integrity and openness, values diversity, supports Ofwat’s strategy, and is responsive to the views of its stakeholder community.

Frequency of Board meetings

7. Board meetings will normally be held ten times a year. Board meetings will be held at Ofwat’s offices in Birmingham and London or occasionally at another convenient location. In the ordinary course, one meeting a year will be held in Wales.
8. A Board meeting may be convened by the Chair or Chief Executive or at the request of at least two non-executive Board Members.

Notice of Board meetings

9. Board meetings will normally be convened well in advance with a minimum of five clear working days’ notice. A Board meeting may exceptionally be called at less than five clear working days’ notice. Such shorter notice will be valid only if ratified at the Board meeting called at short notice. Notice of a Board meeting will be given to Board Members in writing (through email). Failure to receive notice of a Board meeting will not invalidate that Board meeting or any business transacted at that meeting.

Agenda and papers

10. The agenda and papers for Board meetings will normally be circulated five clear working days in advance of the Board meeting. Papers will be distributed electronically. Non-receipt of papers does not invalidate a Board meeting or any business transacted at that Board meeting.

11. Having consulted with the Chair and/or Chief Executive where appropriate, the Board Secretary may decide that no papers or information should be provided to a Board Member regarding a matter where the [Register of Disclosable Interests](#) (the Register) indicates that the relevant Board Member has a potential conflict of interest which would make provision of such papers or information inappropriate.
12. Papers may be tabled at the Board meeting with the Chair's permission.

Quorum

13. The quorum for Board meetings is five Board Members (including at least three non-executive Board Members, one of whom will normally be the Chair). Should the need arise, Board Members may attend Board meetings by telephone or video link. Board Members attending by telephone or video link will be considered to be present at the Board meeting.
14. If the Chair is not present at a Board meeting, he will indicate who will act as the Replacement Chair. If the Chair has not given such an indication, or if the Chair has a relevant conflict of interest in relation to any matter, the other Board Members present will elect a non-executive Board Member to act as Replacement Chair for the purposes of the Board meeting or (in the case of a conflict of interest where appropriate) the relevant part of it.
15. Board Members are not counted towards the quorum for an item in respect of which they have a conflict of interest and are not entitled to take a decision (see below).
16. All attendances and absences by Board Members for all or part of a Board meeting will be recorded in the minutes of the meeting.

Conflicts of interest

17. Each Board Member must at all times comply with the principles and procedures on conflicts of interest set out in Appendix A.
18. Each Board Member must disclose any conflict of interest. If a Board Member is in doubt as to whether a particular matter amounts to a conflict of interest, they should disclose it.
19. If a Board Member becomes aware that there may be a conflict of interest in relation to any matter during the course of a Board meeting, they must disclose the relevant interest that gives rise to the potential conflict immediately.

20. If any Board Member other than the Chair discloses a potential conflict of interest, they may either:
- absent themselves from any discussion and decision relating to the matter to which their interest relates; or
 - ask the Chair to determine how to proceed.
21. When asked how to proceed by a Board Member who has disclosed a potential conflict of interest in relation to any matter, the Chair shall, after consultation with the Chief Executive and General Counsel, determine whether the interest disclosed by the Board Member amounts to a conflict of interest.
22. Subject to paragraph 23, where the Chair determines that a Board Member has a potential conflict of interest in relation to any matter, he may decide that the Board Member:
- must absent themselves from any discussion or decision relating to the matter;
 - may be present during any discussion or decision but may not participate in the discussion or decision; or
 - may be present and participate in the discussion, but may contribute to it only statements of fact.
23. A Board Member with a financial interest in a matter may not participate in any discussion or determination relating to it. A Board Member with a non-financial interest in a matter may not participate in any discussion or determination relating to it where there may be a danger of bias. In no case may a Board Member whom the Chair has determined to have a conflict of interest in relation to a matter either vote on a decision concerning that matter or contribute more than statements of fact to any discussion of the matter.
24. If the Chair discloses a potential conflict of interest then, subject to any contrary decision of the Board (excluding the Chair), paragraphs 21 to 23 shall apply as if the Chair has asked for the determination on how to proceed, with the Chief Executive making all decisions that would otherwise be made by the Chair under those paragraphs.
25. All decisions as to whether a potential conflict of interest should be disclosed, whether it amounts to a conflict of interest, and how a Board Member should proceed in the case of a conflict must be made having regard to the terms, and the spirit and purpose, of the principles and procedures on conflicts of interest at Appendix A.
26. In the event that a Board Member receives a written paper in relation to any matter as to which they believe that a conflict of interest may arise, they must disclose their interest in the matter to the Board Secretary at the earliest opportunity and return the paper to the Board Secretariat with an indication of the extent to which it has been read.

27. Any decision made under the above conflict of interest provisions shall be recorded in the minutes of the Board meeting to which it relates together with any additional information that the Board considers appropriate (including for example, the extent to which the relevant Board Member participated in a discussion or had access to papers).
28. No further separate disclosure in the minutes is required with respect to any general disclosure made in the [Register](#). The minutes shall nevertheless record whether any action is taken at any Board or Committee meeting in relation to any matter by reference to any interests disclosed in the Register.

Decision making

29. Decisions by the Board will normally be made by consensus rather than by formal vote. Failing consensus, decisions will be made by a vote when:
- the Chair feels that there is a body of opinion among Board Members present at the meeting which disagrees with a proposal or has expressed reservations about it and no clear consensus has emerged;
 - a Board Member who is present requests that a vote be taken and this is supported by at least one other Board Member; or
 - the Chair in his discretion considers that a vote is appropriate.
30. When a vote is taken, a decision will be by simple majority. In the case of a tied vote, the Chair will have a casting vote in addition to his original vote.

Procedure for obtaining Board approval between Board meetings

31. During the normal course of Ofwat's business certain matters may arise between scheduled Board meetings that require Board approval or discussion and it is not appropriate to postpone this until the next convened Board meeting.
32. Where a Board Member or Ofwat employee considers that it is necessary for the Board to approve or discuss an item before the next convened Board meeting they will inform the Board Secretary.
33. The Board Secretary will inform the Chair and the Chief Executive of the request and the item at issue. The Chair and the Chief Executive will consider the request and inform the Board Secretary whether or not they both agree to it.

34. Where the Chair and the Chief Executive both agree to the request, they will jointly determine whether it is appropriate for the item to be decided or discussed by email or at a Board meeting called at short notice.
35. The Chair and the Chief Executive may determine that an item can be decided by email without the need for a Board meeting at short notice unless any other Board Member objects.
36. In the case of email approval, in order for a course of action to be approved:
- at least four responses must be received from Board Members;
 - at least two responses must be received from non-executive Board Members; and
 - a majority of all responses received from Board Members must be supportive of the relevant course of action.
37. If the Chair and the Chief Executive decide that a Board meeting at short notice is appropriate, they will instruct the Board Secretariat to convene a Board meeting at short notice.
38. If the Chair is unavailable or has a relevant conflict of interest, then the views of a substitute non-executive Board Member will be sought on the issues in paragraphs 33 to 35 and 37 above. Similarly, if the Chief Executive is unavailable or has a relevant conflict of interest, then the views of a substitute executive Board Member will be sought on the issues in paragraphs 33 to 35 and 37 above.
39. The Board Secretariat will telephone or email all Board Members without exception to outline the purpose and the proposed time of the Board meeting and to ascertain the availability of Board Members to attend in person or by telephone or video link.
40. The Board meeting at short notice will be convened at the earliest convenient time the quorum rules will permit, but Board Members may be present in person or by telephone or video link. Except in exceptional circumstances or in the event that the Chair has a relevant conflict of interest such that they cannot be present at such a Board meeting, the Chair must be present at the Board meeting.
41. The Board Secretariat will provide a formal agenda and papers for discussion as soon as practicable before the Board meeting at short notice.
42. In so far as is practicable, all Board Members (whether attending or not) will be given an opportunity before such a Board meeting to comment on the items in person or by telephone or email to the Chair or the Chief Executive (and in the event either is unavailable or has a relevant conflict of interest, to the substitute identified for the purposes of paragraph 38 above).

43. Copies of the minutes of such a Board meeting will be presented for approval in the usual way.
44. If the matter is urgent and the Chair considers that it would not be practicable to call a Board meeting at short notice or to obtain the necessary approvals from Board Members by email, the Chair (or, if the Chair is unavailable or has a relevant conflict of interest, the Chief Executive) may take the required decision. The Chair will notify all Board Members at the earliest possible opportunity and report the decision at the next Board meeting.
45. With regard to any financial transaction, in an emergency situation where a financial transaction is urgently required to safeguard any of Ofwat's operations or to protect its assets, the Chair (or, if the Chair is unavailable or has a relevant conflict of interest, the Chief Executive) may approve such transaction on behalf of the Board. The Chair will notify all Board Members at the earliest possible opportunity and report the decision at the next Board meeting.

Minutes

46. The minutes of each Board meeting will be presented to the Board for approval at the following Board meeting. Once approved by the Board, the minutes will be published on Ofwat's website. Confidential material will be redacted.

Reserved matters

47. The matters set out in Appendix B are reserved to the Board for decision, except in a case in which any of paragraphs 44, 45 or 49 apply. This does not preclude the Chair, Board or Chief Executive deciding that other matters should come to Board for discussion or decision.
48. Where it is a question of judgment as to whether a matter is a Reserved Matter, or where there is doubt over whether a non-reserved matter should be referred to the Board, any Ofwat employee or Committee Member becoming aware of the matter should inform the Chief Executive. The Chief Executive in consultation with the Chair (or, if the Chair is unavailable or has a relevant conflict of interest, another non-executive Board Member) will exercise their judgment as to whether the matter is a Reserved Matter and/or whether the matter should in any event be referred to the Board.

Delegations

49. The Board may delegate the discharge of a function (including, for the avoidance of doubt, what would otherwise be a Reserved Matter), but the exercise of a delegated power should be in accordance with any relevant policies agreed by the Board.
50. The Board may vary, revoke or add to any existing delegations.
51. Any delegation made by the Board may be limited or made subject to any condition – for example, the Board may delegate a function only for a limited period of time or in relation to a particular matter. Any delegation made by the Board may permit a function to be sub-delegated, subject to any limit or condition that the Board may impose. The nature and scope of new and amended delegations from the Board will be recorded in the minutes.
52. The Board delegates to each Committee the discharge of those functions which are set out and described in the terms of reference of that Committee.
53. Unless the Board imposes a condition to the contrary, a Committee may delegate the discharge of a function delegated to it by the Board subject to any conditions imposed by that Committee. The Committee will keep a list of such sub-delegations.
54. The Board delegates to the Chief Executive, in consultation with the Chair as appropriate, the discharge of all functions of Ofwat other than:
- without prejudice to paragraph 49, any Reserved Matter; and
 - any matter delegated to a Committee.
55. The Chief Executive, in consultation with the Chair, may delegate to one or more Ofwat employees the discharge of some of the functions delegated to the Chief Executive by the Board. The Chief Executive will keep a list of such sub-delegations.
56. Without prejudice to the Reserved Matters, the Board authorises the Chief Executive to sign contracts or other documents on behalf of Ofwat and to delegate this authority to one or more Ofwat employees.
57. The Board may itself discharge a function even though it has delegated the discharge of that function.
58. The Board may also instruct Ofwat employees, or any Committee, as to how to exercise a delegated authority.

59. Unless otherwise determined by the Board, the Chief Executive shall be responsible for implementing, executing and delivering (as the case may be) the actions needed to give effect to each decision made by the Board.
60. For the avoidance of doubt, the Chief Executive is the qualified person for the purposes of section 36 of the Freedom of Information Act 2000.

Committees

61. The Board may establish standing Committees and ad hoc Committees.
62. The Board will appoint members to any Committee it establishes. Members can be Board Members, Ofwat employees or, where appropriate, external persons. A Committee will include at least one non-executive Board Member. Membership of Committees will be reviewed and confirmed by the Board annually.
63. The Board may at any time amend the terms of reference, membership, appointment of the Committee chair, quorum, frequency of meetings, reporting arrangements and administrative support or any other arrangements of any Committee.
64. The Board may take advice or consider recommendations from any Committee in accordance with the Committee's terms of reference.
65. There will be a Committee known as the Audit and Risk Assurance Committee to consider matters relating to risk management, governance and internal controls within Ofwat. The terms of reference of the Audit and Risk Assurance Committee are set out in Appendix C.
66. There will be a Committee known as the People Committee to oversee the implementation of the People Strategy and to address pay and conditions of employment of Senior Civil Service (SCS) employees. The terms of reference of the People Committee are set out in Appendix D.
67. There will be a Committee known as the Major Projects Committee to make certain relevant decisions and to provide challenge, support and advice to the Executive in relation to the Thames Tideway Tunnel (TTT) project and any Direct Procurement for Customers (DPC) projects (as defined in Appendix E). The terms of reference for the Major Projects Committee are set out at Appendix E.
68. There will be a Committee known as the Casework Committee to make final decisions on strategic cases. The terms of reference for the Casework Committee are set out at Appendix F.

69. There will be a Committee known as the Nominations Committee to review, and make recommendations on, the structure, size, and composition of the Board and be engaged in the process for identifying and nominating for approval candidates to fill certain Board vacancies. The Committee shall also be engaged in succession planning for the Board, the members of the Senior Leadership Team and other senior roles, and be engaged in the appointment of any member of the Senior Leadership Team. The terms of reference for the Nominations Committee are set out at Appendix G.
70. The members of each Committee, insofar as not already being subject to the same or equivalent requirements by virtue of being Board Members or Ofwat employees, shall comply with the principles and procedures on conflicts of interest at Appendix A and the Code of Conduct at Appendix I. For these purposes each reference in those Appendices to a Board Member shall be read as including reference to a member of a Committee.
71. Operating procedures for Ofwat Board Committees are contained in Appendix H.

Code of conduct

72. Board Members must comply with Appendix I which sets out provisions on the conduct of Board Members.

Reviewing the Board's performance

73. All new members of the Board will be provided with induction training and Ofwat will provide for any additional development which is deemed necessary for the Board Member to fulfil their role on the Board. Specific induction, training and development will be provided for any members of any Committee as required to enable Committee members to perform their role, with the agreement of the Chair and Chief Executive.
74. The Board will review its own performance and effectiveness and that of its principal Committees annually. A summary of its findings will be included in Ofwat's annual report and accounts.
75. The Chair will review the performance of individual Board Members on an annual basis.

Revising the Rules of Procedure

76. These Rules will be reviewed as and when required by the Board and, provided this does not contravene any statutory provision, may be varied, suspended or revoked by the Board

as appropriate, with the exception of the Register which will be maintained by the Board Secretary.

Appendix A: Principles and procedure for conflicts of interest

1 Introduction

- 1.1 This Appendix sets out principles for the management of conflicts of interest, and potential conflicts of interest, arising in relation to Board Members and procedures to be followed in recording and addressing such matters. It supplements the general provisions on conflicts of interest in the body of these Rules of Procedure.
- 1.2 This procedure is designed to:
 - (a) so far as possible, prevent conflicts of interest from arising; and
 - (b) ensure that any conflicts of interest that do arise are managed in such a way that the independence and integrity of the decisions of Ofwat are neither compromised nor perceived as being compromised.
- 1.3 While this procedure expressly addresses those conflicts of interest that can be readily anticipated, it is not possible to provide a comprehensive list of all of the conflicts of interest that might arise. Therefore:
 - (a) this procedure must be interpreted with regard to its spirit and purpose and in particular with a view to meeting the objectives set out at paragraph 3 below;
 - (b) Board Members must comply with this procedure in spirit as well as in letter; and
 - (c) if there is any doubt as to whether a matter amounts to a conflict of interest, it should be presumed to be a conflict of interest until a decision is made to the contrary by the Chair or, in relation to a potential conflict disclosed by the Chair, the Chief Executive.
- 1.4 For the purposes of these Rules of Procedure, a conflict of interest is any interest, role, responsibility or duty that is held by a Board Member – whether or not financial in nature – that a fair-minded and informed observer, having considered all of the relevant facts, would conclude gave rise to a real possibility of bias in relation to a matter which that Board Member is required to consider or decide.
- 1.5 A matter which would otherwise constitute a conflict of interest need not be treated as such if each party which is likely to be affected by the matter that is under consideration has been given a full explanation of the Board Member's relevant interest and has agreed, clearly and unequivocally, to waive any objection to the Board Member's participation in the process of considering or deciding upon that matter.

2 Scope

- 2.1 This Appendix A applies to Board Members.
- 2.2 Some parts of this procedure require Board Members to ensure certain conduct by, or to make declarations in relation to, their spouses, partners and dependent children.
- 2.3 Provisions similar to those set out in this procedure are also binding on Ofwat employees under the Code of Conduct published on Ofwat's website, so as to ensure so far as possible that the entire advisory and decision-making process of Ofwat is not affected by conflicts of interest.

3 Objectives of the procedure

- 3.1 The objectives of the procedures set out in this Appendix are:
- (a) to protect the Board corporately and each Board Member individually against the breach of any law, including, for example, offences relating to insider dealing under the Criminal Justice Act 1993;
 - (b) to protect the Board corporately and each Board Member individually against impropriety or the appearance of impropriety, including risk to its and their reputations; and
 - (c) to protect Ofwat against any conflicts of interest that may be detrimental to the exercise of its functions, by:
 - ensuring so far as possible that Board Members make decisions free from any inappropriate external influence, whether personal or financial, whilst recognising that it is precisely their position and expertise external to the Board that enables some of the Board Members to make valuable contributions to its work; and
 - adhering to the principle that Board Members should not (otherwise than as permitted, exceptionally, by any separate agreement to provide services to Ofwat outside the scope of their duties as a Board Member) make a personal profit as a result of their membership of the Board or an Ofwat committee, such as by using confidential information for personal gain.

4 Prohibited interests

- 4.1 Subject to paragraph 4.7 of this Appendix below, no Board Member may at any time hold any interests of the type specified in this section whether directly or indirectly (the prohibited interests).

- 4.2 The prohibited interests are any equity or other financial interest in, and any employment, consultancy, directorship or other remunerative agreement with:
- (a) any water or sewerage undertaker (including any new appointee) appointed for an area in England or Wales, or any affiliate of that undertaker;
 - (b) any prospective holder of an appointment, or any affiliate of that company; or
 - (c) any actual or prospective holder of any licence issued or that may be issued by Ofwat pursuant to the WIA91, as amended, or any affiliate of that company.
- 4.3 Each Board Member must ensure that no spouse, partner or dependent child of theirs has at any time a prohibited interest in the form of any equity or other financial interest.
- 4.4 If any Board Member has a prohibited interest, they must immediately notify the Chair and the Chief Executive in writing.
- 4.5 If a Board Member is aware that their spouse, partner or dependent child has a prohibited interest in the form of any equity or other financial interest, they must immediately notify the Chair and the Chief Executive in writing.
- 4.6 Where a Board Member notifies the Chair and the Chief Executive of any prohibited interest, the Board Member shall be excluded from any further participation in the activities or decision-making of the Board or any relevant Committees, at least until such time as that interest has been terminated.
- 4.7 In appropriate circumstances, which are likely to be exceptional, the Board may decide that what would otherwise be a prohibited interest should not be classified as such for the purposes of these Rules of Procedure for a particular period or with respect to particular decisions or categories of decisions. The Board may vary or revoke any such decisions at any point.

Register of disclosable interests

- 4.8 The Board Secretary shall maintain a register with details of Board Members' disclosable interests ([the Register](#)).
- 4.9 The Register shall be a public document, and shall be amended from time to time by the Board Secretary so that it remains accurate and up to date.
- 4.10 The purpose of the Register is to ensure transparency in relation to any interests of Board Members – or of their spouses, partners and dependent children – that have

the potential, or might be perceived as having the potential, to give rise to a conflict of interest.

- 4.11 The Register must contain, in relation to each Board Member, details of any of the following held or carried on by that Board Member:
- (a) company directorships;
 - (b) memberships of any limited liability partnership;
 - (c) other public appointments;
 - (d) charitable appointments (including trusteeships, and positions with not-for-profits NGOs or pressure groups);
 - (e) employment or consultancy activities;
 - (f) memberships of or offices held within any professional body; and
 - (g) any equity or other financial interest in, or any remunerative agreement with, a significant contractor (or another significant supplier of goods or services) to any of the entities set out in paragraph 4.2 above¹.
- 4.12 Registration of the interests set out at (a) and (b) above is required for present interests and past interests held in the last 5 years. Registration of the interests listed at (c)-(g) is required for current interests.
- 4.13 The Register must also contain details of any employment, consultancy, directorship or remunerative agreement held or carried on by a spouse, partner or dependent child of a Board Member with any of the entities set out in paragraph 4.2 above where they are either present interests or past interests held in the last 5 years.
- 4.14 The Register must further contain details of any other matters that have the potential, or might be perceived as having the potential, to influence the judgment of any Board Member in relation to their participation in the normal activities or decision-making of the Board. This shall include indirect influences by way of personal or familial connections, as well as direct influences in the form of financial and legal relationships.
- 4.15 It is the duty of each Board Member to declare to the Board Secretary and to the Chair in writing any matter that is required to be included in their entry on the Register.
- 4.16 If a Board Member is in doubt as to whether a particular matter should be declared, they should declare it, and the Board Secretary (in consultation with the Chair if

¹ For these purposes, 'significant' should be assessed by reference to the turnover of the contractor or supplier (so where at least 10% of turnover in the preceding financial year is derived from the supply of goods or services to any of the entities set out in paragraph 4.2).

appropriate) shall decide whether it is a matter that is required to be included on the Register.

- 4.17 A Board Member shall make a declaration of their interests and any other relevant interests for the purposes of the Register immediately on taking up appointment as a Board Member or Committee Member, and shall subsequently declare any new matter that is required to be included on the Register or otherwise notified to Ofwat as soon as possible.
- 4.18 Board Members must ensure that their entries on the Register are accurate and up to date, and the Board Secretary will ask them to provide confirmation that this is the case at least once in each financial year.
- 4.19 Each Board Member must sign a form to confirm the accuracy of their entry on the Register if requested to do so by the Board Secretary.

5 Board meetings

- 5.1 Board Members must comply with the further requirements as to the disclosure of conflicts of interest arising at Board meetings, as set out in paragraphs 17 to 28 of the Rules of Procedure.

6 Subsequent appointments of Board Members

- 6.1 Board Members are also subject to the requirement to secure the prior approval of the Chair and the Department for Environment, Food and Rural Affairs (Defra) if, within two years of ceasing to be a Board Member, they wish to accept an appointment with:
- (a) any of the entities listed in paragraph 4.2 above;
 - (b) a significant contractor or supplier of goods or services to any of the entities listed in paragraph 4.2 above; or
 - (c) any other firm or body closely connected to the water industry.
- 6.2 The purpose of this is to maintain public trust in the work of Ofwat and in particular to avoid:
- (a) any suspicion that the advice and decisions of a Board Member might be influenced by the hope or expectation of future employment with a particular firm or organisation; and
 - (b) any risk that a firm might gain an improper advantage over its competitors by employing someone who, in the course of their work, has had access to technical

or other information which those competitors might legitimately regard as their own trade secrets or to information relating to proposed developments in government policy and procedure which may affect that firm or its competitors.

- 6.3 Any approval of an appointment under paragraph 6.1 above given by the Chair may be subject to conditions, which may include the imposition of a waiting period before it can be taken up.

7 Audit

- 7.1 Information held on the Register will be subject to audit, a summary of which will be published in Ofwat's annual resource accounts.

8 Interpretation

- 8.1 In this Appendix, an "equity and other financial interest":
- (a) shall be deemed to comprise shareholdings, debt securities, debentures, bonds, options, rights or future rights to shares, and other securities; but
 - (b) shall be deemed to exclude such interests which are managed through Unit Trusts, Blind Trusts or funds managed in a way equivalent to either Unit Trusts or Blind Trusts, and any interest in gilts or other Government securities.
- 8.2 A "Blind Trust" is an arrangement by which an individual gives a stockbroker or another professional investment manager absolute discretion to manage their investments and under which that individual:
- (a) is not consulted before any dealing in those investments takes place;
 - (b) does not instruct the investment manager with regard to any specific securities; and
 - (c) is not informed of changes in specific investments or the state of the portfolio other than in an aggregated form or as required for tax return purposes.
- 8.3 In this Appendix, a "remunerative agreement" shall not be taken to include any employer's pension scheme in respect of which employer pension contributions ceased to be made prior to the time at which a Board Member was appointed.
- 8.4 In this Appendix, a "prospective holder" means a company which the relevant Board Member has been notified has submitted a formal relevant application to Ofwat.

Appendix B: Matters reserved to the Board

The following matters are reserved to the Board for decision by the Board.

Ofwat policy

(a) Approval of:

- Ofwat's strategy and forward programme;
- decisions on the draft and final determinations at price reviews and substantial effect determinations;
- decisions to make market investigation references to the Competition and Markets Authority under the Enterprise Act 2002;
- decisions relating to the commencement, defence or settlement of significant litigation (for the avoidance of doubt, this includes becoming a party to proceedings or instituting an appeal in relation to any significant judgement given against Ofwat); and
- decisions on Ofwat's risk appetite (annually) and approach to risk management and internal controls.

(b) Approval of decisions which raise new major issues of principle or are particularly sensitive. The following illustrative but not exhaustive list contains examples where approval of relevant decisions is reserved to the Board (but for the avoidance of doubt only insofar as they raise new major issues of principle or are particularly sensitive)²:

- the approach to draft and final determinations at price reviews and substantial effect determinations;
- significant enforcement action and changes to Ofwat's enforcement policy;
- the approach to and decisions on interim determinations;

² On 16 July 2013 Board delegated making final decisions in strategic cases to the Casework Committee (please see Appendix F for the Casework Committee's Terms of Reference), some of which might otherwise have been covered by this section (b), including for example final enforcement orders under WIA91, final decisions of infringement under the Competition Act 1998, and (in both cases) linked financial penalties. Paragraph 11 of the Casework Committee's Terms of Reference notes that, "For the avoidance of doubt, Board has delegated to the Casework Committee any decision which might otherwise come to the Board under Appendix B, section (b) of the Rules, provided that decision falls within the remit of the Casework Committee. However, that does not prejudice the Casework Committee's discretion to voluntarily refer any such decision back to the Board, where the Casework Committee deems that to be appropriate". Similarly on 12 February 2015 Board also delegated making certain Relevant Decisions to the then Thames Tideway Tunnel Committee now the Major Projects Committee (please see Appendix E for the Major Projects Committee's Terms of Reference), some of which might otherwise have been covered by this section (b). Please see paragraph 8 of the Major Projects Committee's Terms of Reference (Appendix E).

- the approach to and decisions on appointment modification references to the Competition and Markets Authority;
- the approach to dealing with super complaints;
- recommendations to the Secretary of State and/or the Welsh Ministers as appropriate about granting or terminating appointments of water undertakers and/or sewerage undertakers;
- granting new appointments under the WIA91;
- granting and revoking any licences under the WIA91;
- modifications to a condition of appointment or any licence under the WIA91; and
- investigations into company performance, or sector wide reviews under section 27 WIA91.

Organisational issues

a) Approval of:

- the annual budget;
- the annual report; and
- the annual accounts.

Management issues

a) Approval of:

- the appointment of the Chief Executive and their terms and conditions of service, on the recommendation of the Chair;
- any Ofwat strategy regarding human resources;
- major changes to Ofwat's structure; and
- strategic monitoring of Ofwat's health and safety policies.

Contractual and other obligations with third parties

(a) Approval of:

- the principles underlying any contracts not in the ordinary course of business;
- any major capital projects above £200,000;
- material contracts in the ordinary course of business which involve a liability above £200,000, for example relating to the acquisition or disposal of fixed assets; and
- any Memorandum of Understanding or formal agreement that Ofwat may enter into with a Government department, Non-Departmental Public body or Welsh Government

sponsored body, Non-Ministerial Department, Executive Agency or any other UK regulatory body, in any case provided that it raises new major issues of principle or is particularly sensitive.

Corporate governance

(a) Approval of:

- any material changes to the Rules (except the Register of Disclosable Interests) and any material changes to the terms of reference of any Committee; and
- significant actions to be taken following reviews of the Board's own performance and that of its Committees.

Communication

(a) Where time allows, approval of key messages in major external statements, responses or other significant communications, such as in response to a statement made by UK Ministers, the National Assembly for Wales (Welsh Government) or Welsh Ministers or a report of a Select Committee.

Statutory

(a) Anything that by law is reserved to Ofwat's Board.

Appendix C: Terms of reference of the Audit and Risk Assurance Committee

Role of Audit and Risk Assurance Committee

1. The Board has established a committee called the Audit and Risk Assurance Committee. The Committee's role is to support the Board and the Accounting Officer in discharging their respective responsibilities for matters relating to risk management, governance and control by:
 - considering whether the sources of assurance in place are sufficiently comprehensive, complete and reliable to provide assurance as to the adequacy and effectiveness of Ofwat's systems and processes; and
 - advising on how well the Board and the Accounting Officer are supported in decision making and discharging their accountability obligations (particularly with respect to financial reporting and risk management, and the effective and efficient use of public funds).
2. The Accounting Officer is responsible for maintaining corporate governance that supports the achievement of Ofwat's strategy, while safeguarding public funds and Ofwat assets. This is in accordance with the responsibilities set out in 'Managing Public Money'. The Accounting Officer is accountable to Parliament for all aspects of Ofwat's work. This includes the management of risk and opportunity. The Board is responsible for ensuring that the highest standards of corporate governance are observed at all times.
3. The Audit and Risk Assurance Committee may make recommendations to the Board, Accounting Officer and Executive, but is not responsible for making any decisions.

Membership

4. The Audit and Risk Assurance Committee members will include at least two non-executive members of the Ofwat Board, one of whom will chair the Audit and Risk Assurance Committee. In the absence of the Committee's non-executive Board Member who normally chairs the Committee, one of the other non-executive Board Members will chair the meeting.
5. The membership may also include external independent members who are not non-executive members of the Ofwat Board to provide specialist advice as necessary.
6. At least one member of the Audit and Risk Assurance Committee will be a qualified accountant with recent and relevant experience and able to provide a view on the Annual

Report and Accounts. The other members of the Audit and Risk Assurance Committee will have a mix of skills and experience, to provide a range of expertise to cover the activities of the organisation.

7. The Board will appoint the members of the Audit and Risk Assurance Committee for a term of three years, which is renewable for a term of up to three years, in exceptional circumstances on more than one occasion.

Meetings

8. The Audit and Risk Assurance Committee will normally meet at least five times a year at appropriate intervals in the financial reporting and audit cycle. The chair of the Audit and Risk Assurance Committee may convene such additional meetings as may be deemed necessary.
9. A meeting of the Audit and Risk Assurance Committee will be quorate if two of its members, including at least one of the non-executive Board Members, are present.
10. The Chief Executive (Accounting Officer), the Senior Director, Corporate Enablers, the Director, Finance, the internal auditors and a representative of the external auditor will normally attend Audit and Risk Assurance Committee meetings.
11. The Board or Accounting Officer may ask the chair of the Audit and Risk Assurance Committee to convene further meetings to discuss particular issues where the Audit and Risk Assurance Committee's advice is required.
12. The chair of the Audit and Risk Assurance Committee will have regular meetings with the internal auditors and the external auditors, or the National Audit Office director assigned to Ofwat as appropriate (at least once a year without management being present) to discuss the auditors' respective remits and any issues arising from the audit. The chair of the Audit and Risk Assurance Committee will also meet with the Senior Director, Corporate Enablers, Director, Finance and the Accounting Officer as necessary.

Rights

13. The Audit and Risk Assurance Committee will have access to sufficient resources to carry out its functions. Reasonable funding shall be provided in order that it may:
 - co-opt additional members for a period not exceeding a year to provide specialist skills, knowledge and experience; and
 - procure specialist ad-hoc advice, subject to budgets agreed by the Board.

Access

14. The internal auditors, the external auditors and, if not the external auditors, the National Audit Office, will have free and confidential access to the Board, usually through the chair of the Audit and Risk Assurance Committee, and to the Accounting Officer.

Reporting

15. Minutes will be taken of each meeting of the Audit and Risk Assurance Committee. The chair of the Audit and Risk Assurance Committee will report on its work to the Board and Accounting Officer following each meeting and shall provide an annual report in writing, timed to support finalisation of the review of the accounts and the Governance Statement. Minutes of Audit and Risk Assurance Committee meetings will be shared with the Board.
16. The Audit and Risk Assurance Committee will review its terms of reference at least every three years, seeking feedback from members and attendees, and recommend any changes it considers necessary to the Board for approval.

Responsibilities

17. The Audit and Risk Assurance Committee will advise the Board and the Accounting Officer on the matters set out below.
18. Financial reporting:
 - the application of significant accounting policies and any changes to them;
 - the accounts and the annual report, including the process for review of the accounts prior to submission for audit, levels of error identified, management's letter of representation to the external auditors and management's response to the auditor's findings and recommendations;
 - any significant financial reporting issues, estimates and judgements which the accounts contain having regard to matters communicated to the Committee by the external auditors; and
 - all material information presented with the financial statements, including the strategic report and the Accounting Officer's governance statement relating to the audit and to corporate governance, risk management and internal controls and whether, taken as a whole, the accounts are fair, balanced and understandable and provide the information necessary to assess Ofwat's performance.
19. Internal controls and risk management systems:

- Ofwat’s risk management strategy, and its internal processes for identifying, assessing, managing and monitoring financial risks and other internal control and risk management systems;
- assurance provided by the Executive relating to its corporate governance requirements and on the management of information and cyber security risks and obligations; and
- assurance on the management of risks and opportunities more generally in relation to the discharge of Ofwat’s functions.

20. Compliance, whistleblowing and fraud:

- anti-fraud and corruption policies, whistleblowing processes, and arrangements for special internal investigations, including ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

21. Internal audit:

- Ofwat’s internal audit strategy, the planned activity and results of the internal auditors including the Executive’s response to issues identified, and co-operation between the internal auditors and the external auditors;
- the internal auditors’ annual opinion and report;
- any quality assurance reports on the internal audit function; and
- proposals for the appointment of internal auditors or for the purchase of non-audit services from contractors providing internal audit services.

22. External audit:

- the relationship with the external auditors and approving their remuneration; and
- the planned activity and results of the external auditors, including the factors that could affect audit quality, their co-operation with the internal auditors and overall, the effectiveness of the audit process.

Information requirements

23. For each meeting the Audit and Risk Assurance Committee will be provided with the following standard items:

- a report summarising any significant changes to the strategic risks and a copy of the strategic risk register;
- a progress report from the internal auditors;

- a progress report from the external auditors covering any current audits of Ofwat and emerging findings, and providing an overview of developments across government which may be of relevance to the Committee or Ofwat;
- reports from the Executive on any significant incidents or near misses which are relevant to governance, risk management and internal control, together with lessons learned reports and remedial action plans;
- one or more in-depth reviews of key areas of risk management, assurance and control, whether in terms of the management of strategic risks and opportunities, or programme or operational risks and opportunities;
- an anonymised report on any fraud or whistleblowing events;
- a report on any financial irregularities and exceptions; and
- a report on any reportable health and safety incidents.

Appendix D: Terms of reference of the People Committee

1. The Board has established a People Committee to oversee the implementation of the People Strategy and to specifically address pay and conditions of employment of Senior Civil Service (SCS) employees.

Membership

2. The Members of the People Committee will comprise two non-executive Board Members and the Board Chair.
3. A non-executive Board Member will chair the People Committee. In the absence of the Committee's non-executive Board Member who normally chairs the Committee, one of other non-executive Board Members will chair the meeting.

Meetings

4. The People Committee will normally meet three times a year. The chair of the People Committee may convene additional meetings as they deem necessary.
5. A meeting of the People Committee will be deemed quorate if two Committee Members are present.
6. The Chief Executive, Senior Director, Corporate Enablers and Director, People will normally attend People Committee meetings except where it is discussing matters directly affecting their personal remuneration.
7. The Chair or Chief Executive may ask the People Committee to convene further meetings to discuss particular issues where the Committee's advice is wanted.

Reporting

8. Minutes will be taken at each meeting of the People Committee. The chair of the People Committee will report on its work to the Board following each meeting and minutes of People Committee meetings will be shared with the Board.

9. The People Committee will review its terms of reference at least every three years, seeking feedback from members and attendees, and recommend any changes it considers necessary to the Board for approval.

Responsibilities

10. The responsibilities of the People Committee are to:

- oversee the implementation of the People Strategy, providing strategic direction and advice;
- monitor progress against the People Strategy's identified success criteria and milestones;
- advise the Chief Executive on organisational structure, change or transition and culture as required, including by objectively and periodically reviewing Ofwat's culture, adherence to its values and advising on the evolution of Ofwat's approach;
- consider the outcome of any surveys or other tools used to gain feedback from staff and Executive plans for addressing any issues or celebrating successes;
- annually meet with a representative group of Ofwat employees to understand how the People Strategy is achieving its aim of making Ofwat a great place to work following the guidance on pay and related matters issued by HM Treasury and the Cabinet Office;
- advise on the approach to the annual pay award for non-SCS employees;
- review the Executive SCS performance management arrangements, including objectives, overview of performance and end of year performance rating;
- decide on the implementation of the annual pay award for members of the SCS taking account of recommendations from the Chief Executive and the Chair;
- decide on the payment of any end of year or in-year performance related payments for members of the SCS; and
- consider any other issues relating to SCS pay terms and conditions of employment.

Appendix E: Terms of reference of the Major Projects Committee

Introduction

1. The Board has established a committee called the Major Projects Committee. The purpose of the Committee is to:
 - make certain relevant decisions in relation to the Thames Tideway Tunnel ('TTT') project;
 - make certain relevant decisions in relation to projects that are or may be designated as Direct Procurement for Customers ('DPC') projects;³ and
 - provide challenge, support and advice to the Executive on the TTT and DPC projects.

Membership

2. The members of the Major Projects Committee will comprise at least two non-executive Board Members and the Board Chair, and in addition may include executive Board Members and Ofwat employees (who are not Board Members).
3. The Board Chair will chair the Major Projects Committee. In the absence of the chair of the Major Projects Committee, one of the non-executive Board Members will chair the meeting.

Meetings

4. The chair of the Major Projects Committee, or in the chair's absence any Member of the Major Projects Committee, may convene meetings of the Major Projects Committee as they deem necessary.
5. A meeting of the Major Projects Committee will be deemed quorate if two of its Members are present, one of whom must be a non-executive Board Member or the chair of the Major Projects Committee.

³ Projects that may be designated as DPC projects are projects where it is or may be in the interests of customers for a water or sewerage undertaker to procure another person to design, build, finance and, where appropriate, operate and maintain the project.

Reporting

6. Minutes will be taken of each meeting of the Major Projects Committee. The chair of the Major Projects Committee will report on its work to the Board following each meeting and minutes of Major Projects Committee meetings will be shared with the Board.
7. The Major Projects Committee will review its terms of reference at least every three years, seeking feedback from Members and attendees, and recommend any changes it considers necessary to the Board for approval.

Responsibilities

8. The responsibilities of the Major Projects Committee are to provide challenge, support and advice to the Executive in relation to the TTT and DPC projects and to make certain relevant decisions ('Relevant Decisions'). This is without prejudice to the Major Projects Committee's ability to voluntarily refer any such decision back to the Board, where the Major Projects Committee deems that to be appropriate.
9. A Relevant Decision is a decision which might otherwise come to the Board under Appendix B, section (b) of the Rules of Procedure in relation to the TTT or DPC projects including the discharge of Ofwat's responsibilities in relation to the TTT or DPC projects.
10. For the TTT, a Relevant Decision includes the following decisions if they raise a new major issue of principle or are particularly sensitive:
 - decisions that are required to be made by Ofwat in connection with the TTT project under the Water Industry (Specified Infrastructure Projects) (English Undertakers) Regulations 2013 ('Regulations');
 - a decision to vary Thames Water Utilities Limited's (TWUL's) conditions of appointment in order to give effect to the TTT project;
 - a decision to vary the conditions of the project licence of Bazalgette Tunnel Limited (Tideway), unless that variation is also being made to the conditions of appointment of a number of undertakers;
 - a determination of any Mandatory Variation Dispute (as defined and regulated in Condition T of TWUL's conditions of appointment and in paragraph 9 of Appendix 2 of Tideway's licence) referred to Ofwat by TWUL or by Tideway;
 - a determination of the questions set out in sub-paragraph 14.2 (as modified by sub-paragraph 9.4A) of Condition B of TWUL's appointment in relation to the Thames Tideway Tunnel Price Control;
 - decisions and determinations that are to be made by Ofwat under Appendices 1 and 2 of Tideway's licence; and

- any Deemed Relevant TTT Decision (a ‘Deemed Relevant TTT Decision’ is a decision relating to the TTT project which is formally deemed to be a ‘Deemed Relevant TTT Decision’ by the relevant Senior Director,⁴ following consultation with the chair of the Major Projects Committee).⁵
11. For the avoidance of doubt, and for the purposes of Appendix B, paragraph (a) of the Rules of Procedure, none of the decisions required to be made under Appendices 1 and 2 of Tideway’s licence represent “decisions on the draft or final determinations at price reviews and substantial effect determinations”.
12. For DPC projects, a Relevant Decision includes the following decisions if they raise a new major issue of principle or are particularly sensitive:
- a decision to vary existing conditions or to introduce a new condition or conditions in the instruments of appointment of water or sewerage undertakers to make specific provision for our regulation of DPC projects;
 - decisions and determinations to be made by Ofwat under any new condition or conditions or under any varied conditions introduced to make specific provision for our regulation of DPC projects and under Part 4 of Condition B about Interim Determinations relating to DPC Delivered Projects (subject to paragraph 13); and
 - any Deemed Relevant DPC Decision (a ‘Deemed Relevant DPC Decision’ is a decision relating to a DPC project which is formally deemed to be a ‘Deemed Relevant DPC Decision’ by the relevant Senior Director, following consultation with the chair of the Major Projects Committee).
13. For the avoidance of doubt, decisions made under Condition B of the instruments of appointment of water or sewerage undertakers (apart from decisions made under Part 4 of Condition B about Interim Determinations relating to DPC Delivered Projects) are not Relevant Decisions even if those decisions relate to a DPC project.

Information requirements

14. The Committee will be provided with such information as is necessary to enable it to make Relevant Decisions and to enable it to challenge, support and advise the Executive on the TTT and on DPC projects.

⁴ References in these terms of reference to the ‘relevant Senior Director’ is a reference to the member of the Executive team accountable to the Chief Executive for the work associated with the TTT project or relevant DPC project respectively.

⁵ For the avoidance of doubt, the Senior Director is not able to agree with the chair of the Major Projects Committee that a decision should become a ‘Deemed Relevant TTT Decision’ or a ‘Deemed Relevant DPC Decision’ in relation to a matter reserved for the Board under paragraph (a) of Appendix B of these Rules of Procedure.

Appendix F: Terms of reference of the Casework Committee

Introduction

1. The Board has established a committee called the Casework Committee to make final decisions in strategic cases.

Membership

2. The members of the Casework Committee will comprise at least two non-executive Board Members, and may include executive Board Members, Ofwat employees (who are not Board Members), and/or no more than two independent external members (where appropriate). The independent external members may be defined as individuals or in a more general way (such as simply being a member or employee of a particular organisation). In addition, the independent external members and any Ofwat employee (who is not a Board Member) may be defined as a Casework Committee member for the purposes of all, or only some, relevant Casework Committee matters or all, or only some, types of such matters.
3. A non-executive Board Member will chair the Casework Committee. In the absence of the chair of the Casework Committee, one of the other non-executive Board Members will chair the meeting.

Meetings

4. The chair of the Casework Committee, or in their absence any member of the Casework Committee, may convene meetings of the Casework Committee as they deem necessary.
5. A meeting of the Casework Committee will be deemed quorate if two of its members, including at least one of the non-executive Board Members, are present.

Reporting

6. Minutes will be taken of each meeting of the Casework Committee. The chair of the Casework Committee will report on its work to the Board as appropriate following each meeting. Minutes of the Casework Committee meetings will be shared with the Board.

7. The Casework Committee will review its terms of reference at least every three years, seeking feedback from members and attendees, and recommend any changes it considers necessary to the Board for approval.

Responsibilities

8. The responsibilities of the Casework Committee are to make certain final decisions in strategic cases.
9. For the purpose of the Casework Committee's terms of reference, a "strategic" case is one formally labelled as a "strategic case" by the Executive. The Executive will consult with the Board Chair before deciding whether a particular case should be designated as a "strategic" case.
10. For the purposes of the Casework Committee's terms of reference, a relevant "final decision" is one formally designated as a "final decision" by the Senior Director, Customers and Casework (and the Senior Director, Customers and Casework may decide that there is more than one "final decision" in the same case).
11. For the avoidance of doubt, the Board has delegated to the Casework Committee any decision which might otherwise come to the Board under Appendix B, section (b) of the Rules, provided that decision falls within the remit of the Casework Committee. However, that does not prejudice the Casework Committee's discretion to voluntarily refer any such decision back to the Board, where the Casework Committee deems that to be appropriate.

Appendix G: Terms of reference of the Nominations Committee

1. The Board has established a committee called the Nominations Committee to:
 - review, and make recommendations on, the structure, size, and composition of the Board and be engaged in the process for identifying and nominating for approval candidates to fill Board vacancies;
 - be engaged in succession planning for the Board, the members of the Senior Leadership Team and other senior roles; and
 - be engaged in the appointment of any member of the Senior Leadership Team.

Membership

2. The members of the Nominations Committee will comprise two non-executive Board Members, the Board Chair and the Chief Executive.
3. The Board Chair will chair the Nominations Committee. In the absence of the Board Chair, one of other non-executive Board Members will chair the meeting. The Board Chair shall not chair the Nominations Committee when it is dealing with matters relating to the chairmanship of the Board.

Meetings

4. The Nominations Committee will normally meet once a year, unless required.
5. The chair of the Nominations Committee, or in their absence any member of the Nominations Committee, may convene meetings of the Nominations Committee as they deem necessary.
6. A meeting of the Nominations Committee will be deemed quorate if two of its members, including at least one of the non-executive Board Members, are present.

Reporting

7. Minutes will be taken of each meeting of the Nominations Committee. The chair of the Nominations Committee will report on its work to the Board following each meeting and minutes of Nominations Committee meetings will be shared with the Board.

8. The Nominations Committee will review its terms of reference at least every three years, seeking feedback from members and attendees, and recommend any changes it considers necessary to the Board for approval.

Responsibilities

9. The responsibilities of the Nominations Committee are to:
- regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board compared to its current position and make recommendations to the Board with regard to any changes;
 - engage, where appropriate, in the relevant Secretary of State's process for filling Board Chair and non-executive Board Member vacancies as and when they arise (or re-appointing the Board Chair or non-executive Board Members), including assisting the Secretary of State in preparing a job specification for the appointment of a Board Chair;
 - be engaged in the appointment of any member of the Executive who will not fill a Board vacancy;
 - review succession planning for the Board, the Senior Leadership Team, and other senior roles including the key roles of the Board Chair and the Chief Executive, in the course of its work, taking into account the challenges and opportunities facing Ofwat, the skills and expertise that are needed on the Board, the Senior Leadership Team, and at the level of other senior roles in the future, and related organisational resilience issues;
 - consider succession planning for SCS posts, and decide on the job weight and salary levels, including for any existing SCS posts, if appropriate (this will follow the Cabinet Office Job Evaluation of Senior Posts (JESP) system); and
 - review the time required from non-executive Board Members.

Appendix H: Operating procedures for Ofwat Board Committees

1. Subject to paragraphs 2 to 4 below, the following provisions of the Rules of Procedure shall apply to the proceedings of each Committee:
 - Notice of Board meetings and Agendas and papers at paragraphs 9 to 12;
 - Conflicts of interest at paragraphs 17 to 28; and
 - Procedure for obtaining approval between meetings at paragraphs 31 to 44.
2. For the proceedings of each Committee the provisions referred to above shall apply as if each reference:
 - to the Board was a reference to the Committee;
 - to a Board Member was a reference to a member of the Committee;
 - to a Board meeting was a reference to a Committee meeting;
 - to the Chair was a reference to the chair of the Committee; and
 - to the Board Secretary and/or Board Secretariat was a reference to the Committee Secretary and/or Committee Secretariat.
3. In the case of email approval, in lieu of paragraph 36 of the Rules of Procedure, in order for a course of action to be approved:
 - responses must be received from sufficient members of the Committee to constitute a quorum as set out in each Committee's terms of reference, and from either at least two non-executive Board Members serving on the Committee, or at least one non-executive Board Member and the Chair if serving on the relevant Committee; and
 - a majority of all responses received from Committee members must be supportive of the relevant course of action.
4. In the circumstances set out in paragraphs 38 and 42 of the Rules of Procedure, with respect to the Chief Executive, the views of the relevant member of the Senior Leadership Team accountable to the Chief Executive for the associated work will be sought instead.
5. Attendance at Committee meetings may be by telephone or video link should the need arise. Committee Members attending by telephone or video link will be considered present at the Committee meeting.
6. A Committee may ask any Ofwat employee, or any independent adviser, to attend to assist it with its discussions.

7. A Committee may ask any or all of those asked to attend a Committee meeting who are not members of the Committee to withdraw to facilitate open and frank discussion of particular matters.
8. Each Committee will be provided with a secretariat function organised by the Board Secretariat.
9. In addition to the above, each Committee may decide its own procedures, provided those procedures are not inconsistent with the Rules of Procedure and with each Committee's terms of reference and such procedures are noted in the minutes of the Committee meeting at which such decision is made.

Appendix I: Conduct of Board Members

Introduction

1. Board Members will at all times abide by the [Code of Conduct for Board Members of Public Bodies](#) and Ofwat's employee Code of Conduct as if references in the latter Code of Conduct to employees were references to them, save where obviously inapplicable. In the case of overlap or any inconsistency between the two, the higher standard prevails. References in this Appendix to Board Members should also be taken to refer to Committee Members and other attendees at Board and Committee meetings.
2. The highest standards of propriety requiring integrity, impartiality and objectivity will be maintained in relation to the stewardship of public funds and the management of Ofwat.
3. Board Members are required to maximise value for money through ensuring that the Board operates in an efficient, economical and effective way, according to the principles of good regulation and within available resources.
4. The Board is accountable to Parliament for the activities of Ofwat, its stewardship of public funds, and the extent to which key performance targets and objectives have been met. In order to promote accountability, Board Members must seek to carry out their functions transparently and to follow best practice.

Confidentiality

5. Board Members and employees are subject to a general duty of confidentiality in relation to the conduct of the affairs of Ofwat. This duty continues to apply after leaving office.
6. The Criminal Justice Act 1993 (CJA) makes it a criminal offence for an individual who has information as an insider to deal in securities (including shares, debt securities, warrants and options, futures and contracts for differences) on a regulated market. A Board Member who gains access to price sensitive information through their duties will be considered an insider under the CJA. A Board Member who has unpublished price sensitive information on any company and either deals in the securities themselves, arranges for someone to deal in the securities on their behalf or encourages another to deal will be committing an offence. Disclosure of such information to any other person knowing (or having reasonable cause to believe) either that the person will deal in the securities on any regulated market (themselves or through an intermediary), or will pass such information on to a person who will deal, is also an offence.

7. Particular care should be taken to avoid disclosing to any person (or otherwise acting on) any discussions relating to price sensitive decisions that have not yet been made public.
8. Even where disclosure would not breach the insider dealing rules, a Board Member must ensure that they do not disclose outside Ofwat information received during the course of their duties where such information has been provided on a confidential basis.

Relationship with Government

9. The Secretary of State is responsible for appointing the Chair and Board Members to the Board. The Board will consist of a Chair and at least two other Board Members appointed by the Secretary of State. The Secretary of State may also remove Board Members from office on the grounds of incapacity or misbehaviour. Ofwat's decisions are taken independently of Ministers, taking account where relevant of published ministerial guidance and in accordance with, in most cases, the strategic priorities and objectives set out in statements published by the Secretary of State or Welsh Ministers under Sections 2A(1) and 2B(1) WIA91 respectively.
10. Communications between the Board and Ministers will normally be through the Chair, and as appropriate the Chief Executive, except where the Board has agreed that another individual Board Member should act on its behalf. Other Board Members will be kept informed of such communications. Individual Board Members have the right of access to Ministers on any matter which they believe raises important issues relating to their duties as a Member of the Board. In such cases, the agreement of the rest of the Board Members should normally be sought.
11. The main point of contact between Ofwat and Defra, the Welsh Government, Environment Agency, Natural Resources Wales, and other Government departments and other stakeholders on day-to-day matters will normally be the Chief Executive or other members of staff.

Criminal and civil liability

12. Although any legal proceedings initiated by a third party are likely to be brought against Ofwat as a body corporate, in exceptional cases proceedings (civil or, in certain cases, criminal) may be brought against the Chair or other individual Board Members. For example, a Board Member may be personally liable for making a fraudulent or negligent statement, which results in loss to a third party. Board Members may also be liable for breach of confidence under common law or under insider dealing legislation if they misuse information gained by virtue of their position.

Accountability to Parliament

13. Ofwat is responsible for providing Parliament with such information as may be requested concerning its policy decisions and actions. The Chair or the Chief Executive will aim to respond positively to any request to appear before an elected body. Appearance before Select Committees is an essential part of demonstrating Ofwat's accountability. Ofwat is under a specific duty under section 192B WIA91 to present its annual report to Parliament and the Welsh Government. Accounts are subject to audit by the National Audit Office (although this may be delegated by them to a third party). A copy of the statement of accounts will be published.

Concerns about propriety

14. Ofwat employees may raise any concerns that they have about the propriety of the Board, or any Board Member or Ofwat employee, confidentially with the Chair, or another Board Member, Chief Executive, or the Senior Director, Corporate Enablers, or General Counsel, who will be under a duty to investigate and will guarantee anonymity. If an issue of propriety is raised with the Senior Director, Corporate Enablers or General Counsel, then they are under an obligation to inform the Chair and/or Chief Executive about the issue unless both those individuals are the subject under discussion, in which case the Senior Director, Corporate Enablers or General Counsel is under an obligation to inform another executive or non-executive Board Member. If the employee remains dissatisfied they can raise the concern with Defra. Ofwat employees are able to make such complaints without going through the normal management structure. This is in accordance with recommendation 53 in the 'Report of the Committee on Standards in Public Life' (the Nolan Report).

Gifts and hospitality

15. Board Members are required to comply with Ofwat's policy from time to time on accepting gifts and hospitality.
16. Board Members will inform the Board Secretariat of all offers of gifts, hospitality or other benefits received in the course of carrying out their duties whether accepted or not. These will be recorded in the register referred to in paragraph 17 of this Appendix and, if required, the Board Secretariat will give guidance to Board Members on whether they can or cannot accept any offer. This process is not intended as a censoring mechanism. Rather, it seeks to avoid unnecessary Board representation at events and functions and that there can be no suggestion of actual or perceived bias towards any particular stakeholder.

17. A register of all gifts and hospitality, both offered to and accepted by Board Members (and senior staff) will be maintained and will be published, consistent with Ofwat's policy from time to time.

Requirements on leaving office

18. On termination of office, Board Members must return all property belonging to Ofwat (including, but not limited to, documents and software, IT equipment supplied in order to enable Board Members to receive Ofwat papers and related work, keys and security passes).

Public speaking and journalists

19. Board Members should normally speak with one voice in public on Ofwat issues. If a different approach were to be followed, this would first have to be discussed by the Board. A Board Member should inform the Chair (or Chief Executive in the absence of the Chair or if the relevant Board Member is the Chair) before making public statements on Ofwat business.
20. Particular care should be taken about any public statement – including social media posts, invitations to speak publicly, published articles or speaking with journalists – in an individual's capacity as a Board Member. In any such instance, Board Members should consult the Chief Executive, or if the Chief Executive is unavailable, the Senior Director, Corporate Communications, or equivalent, as appropriate. In all cases, Board Members should not express views at variance from agreed Ofwat policy, or which may touch on future Ofwat policy in which the Board is engaged, or which give rise to the perception of political bias. Personal views may otherwise be expressed so long as it is made clear that the Board Member is speaking or writing in a purely personal capacity and stating their own private opinion. Where any personal social media accounts used by Board Members make reference to or link to their role at Ofwat, for example in a Twitter or LinkedIn biography, they should take care to flag that any posts represent their personal views. In general, Board Members are not restricted from access to the media or social media in their personal, non-Ofwat capacity, or in pursuit of a professional interest, for example as experts, critics, or commentators, but are expected always to have regard to the potential impact of any statements made on Ofwat's reputation.
21. If a Board Member resigns because of disagreement with a Board decision, they may state the basis for the disagreement but may not publicly disclose the views of other Board Members. Nominated Board Members (other than those who disagreed with a decision) may be required to explain and articulate specific decisions.

Attendance at conferences and stakeholder events

22. All invitations to attend or speak at industry or stakeholder events should be referred to the Chief Executive, or if the Chief Executive is unavailable, the Senior Director, Corporate Communications, or their equivalent, for advice. Care will be taken to ensure there is appropriate Board representation at events, and that Board Members are properly briefed in advance of attending.

Political activities

23. In light of Ofwat's status and the need for Board Members to be and to be seen to be politically impartial, Board Members are subject to restrictions on political activity including:

- occupying a paid party political post or holding a particularly sensitive or high-profile role in a political party;
- membership of the House of Commons, the National Assembly for Wales, the Northern Ireland Assembly, the Scottish Parliament or the European Parliament;
- beginning formal procedural steps for election to any of the above bodies;
- membership of or candidacy for local authorities other than parish councils; and
- acting as a party spokesman in the House of Lords.

24. In cases of doubt, Board Members should consult the Chair and Board Secretary.

Expenses

25. Expenses are only recoverable if the expenditure is reasonably and necessarily incurred on behalf of Ofwat. Receipts will, wherever practicable, accompany claim forms. Claims should be submitted to the Board Secretariat as soon as possible after the expenditure has been incurred. Board Members should refer to the relevant current Ofwat guidance.

Travel

26. When on Ofwat business, Board Members are entitled to travel normally by standard class, where available within the UK, and to claim expenses accordingly. Travel and accommodation may be arranged through the Board Secretariat.

Compliance with Ofwat policies

27. Board Members must comply with all relevant Ofwat policies from time to time, in particular those relating to conduct, travel and expenses, hospitality, and to security, whether in relation to the physical security of Ofwat's premises, or the security and protection of information and information assets.

Data protection

28. Board Members' personal data is processed by Ofwat in accordance with the General Data Protection Regulation 2016/679, the Data Protection Act 2018 (both as amended from time to time) and any other applicable data protection legislation (see [Ofwat's privacy policy](#)).

Principles of public life

29. Board Members will abide by the seven principles of public life⁶ as follows:

Selflessness: Holders of public office should act solely in terms of the public interest.

Integrity: Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability: Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty: Holders of public office should be truthful.

⁶ The seven principles of public life were endorsed in 'Spending Public Money: Governance and Audit Issues', Cm 3179, March 1996. <https://www.gov.uk/government/publications/the-7-principles-of-public-life/the-7-principles-of-public-life--2>. A slightly revised version is included in the [Code of Conduct for Board Members of Public Bodies](#).

Leadership: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

**Ofwat (The Water Services Regulation Authority)
is a non-ministerial government department.
We regulate the water sector in England and Wales.**

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