

# Minutes of Board meeting

Meeting held on Thursday 24 June 2021 (hybrid meeting)

## Board members / standing attendees

Jonson Cox	Non-executive Director, Chairman
Mark Bayley	Non-executive Director
Nicola Bruce	Non-executive Director
David Jones	Non-executive Director
Seema Kennedy	Non-executive Director
Jonathan Kini	Non-executive Director
Alison Munro	Non-executive Director
David Black	Interim Chief Executive
Aileen Armstrong	Executive Director
John Russell	Executive Director
Lisa Commane	Executive Director
Jenny Block	General Counsel and Board Secretary

## Other attendees

Claire Forbes	Senior Director, Corporate Communications
Keith Mason	Senior Director
Emma Kelso	Senior Director
Alena Kozakova	Chief Economist
Paul Hickey	Managing Director, RAPID
Georgina Mills	Director, Policy and Outcomes
Shaun Kent	Principal, Policy and Outcomes
Kate Kendall	Director, Future Assets and Resources
Matthew Greetham	Principal, Future Assets and Resources
Juliet Young	Director of Economics, Company Performance and Price Reviews
Tim Griffiths	Director, Company Performance and Price Reviews
William Godfrey	Director, Company Performance and Price Reviews
Aoife McNally	Principal, Company Performance and Price Reviews
Sophie Shaw	Director, Legal
Enrico Russo	Principal, Company Performance and Price Reviews
Simon Harrow	Principal, Regulatory and Commercial Framework (RAPID) and Future Assets and Resources

Colin Green	Director, Regulatory and Commercial Framework (RAPID) and Future Assets and Resources
Claire Simpson	Principal, Insight and Impact
Anita Payne	Director, Insight and Impact

## 1. Opening Items and Declarations

- 1.1. The minutes of the Board meeting held on 27 May were approved.
- 1.2. There were no other interests to declare by reference to the matters for discussion at the meeting.

## 2. Chief Executive's Report

- 2.1. The contents of the Chief Executive's report were noted and discussed. The Board received updates on the following:
  - EAC: the Board discussed the recent hearing before the Committee where the Interim Chief Executive appeared alongside the Chief Executives of the Environment Agency and Highways England.
  - Company meetings: the recent site visits attended by the Chair and Chief Executive to Ilkley and Chichester.
  - Casework: the Board discussed ongoing and potential new matters and delegated further decisions on proceedings in one particular case to Emma Kelso, Senior Director, Markets and Enforcement.
  - Strategic Policy Statement: the Board discussed progress on the draft SPS which Defra intend to issue for consultation over the summer.
  - The Board received an update on transactions in the sector.
  - Delivery Partner Contract: the Board noted the recommendation to pay the discretionary performance related payment under the contract and provided guidance to Executive on assessment of performance. Subject to the Executive considering the points raised, the Board supported the recommendation.
- 2.2. In relation to internal matters, the Board noted our future ways of working principles which were shared with our people at the All People Briefing before the Board meeting.
- 2.3. The Board discussed and agreed the proposed procurement of a partner to work alongside us to develop and implement a new finance system and related transformation, and delegated authority to Lisa Commane, Senior Director, Corporate Enablers, to sign the contract following the procurement. The Board made a number of recommendations on the management of the contract as it progresses.

- 2.4. The Board also endorsed an uplift to the cap on one of the legal contracts to support delivery of our decisions in relation to DPC projects.

### **3. Business retail market**

- 3.1 The Executive presented a paper on a recommended approach to implement additional regulatory protections to enable Retailers in the business retail market in England to recoup a portion of excessive market-wide bad debts costs arising from Covid-19.
- 3.2 The Board discussed and approved the proposed decision to implement protections via an uplift to the Non-household (NHH) retail price caps. The Board discussed and approved the proposed decision to move to a 75:25 sharing ratio for bad debt (above a 2% threshold) which meant that if market-wide bad debt costs exceed 2%, retailers will bear 25% of bad debt costs above 2% and NHH customers 75%. The Board noted that the decision would be published in July 2021, with the adjustment to NHH retail price caps applying from April 2022.

### **4. Thames Water conditional gated allowances**

- 4.1. The Executive presented a paper summarising the background to the Thames Water gated allowances relating to Water Supply Resilience and the London Water Network, and focusing on the London Water Network allowance.
- 4.2. The Board noted the substantial contribution being made by Thames Water's shareholders and mechanisms to protect customers. It endorsed the delegation of responsibility to John Russell (Senior Director, Policy & Outcomes) for deciding whether Thames Water meets the applicable requirements necessary to pass the initial two gates for the London Water Network allowance.
- 4.3. The Board noted the plan for future gates.

### **5. PR14 review**

- 5.1. The Executive provided an overview of the key findings from the review undertaken of the price review for the 2015-20 period (PR14). The Board noted the purpose of the review and discussed the high-level findings, including those areas that were considered to have made the greatest contribution and those that had proved less successful.
- 5.2. The Board noted the intention to publish the draft PR14 review for consultation which will give companies time to consider the work when responding to the PR24

consultation, 'Creating tomorrow, together', with a view to publishing the final report before the end of 2021.

## **6. Long term water resources planning**

- 6.1. The Executive presented the proposed approach to engagement in company level and regional level plans that aim to support the development and delivery of best value water resource plans that deliver for customers, the environment and society. The paper discussed the four key areas of focus for our engagement which the Board endorsed. The Board discussed how issues of affordability would be dealt with, and demand-side considerations, and how we would support the optimisation of learning from each company's and each regional group's work, as well as the role of RAPID.
- 6.2. The Board discussed and agreed the recommendation to continue our proactive approach, including with respect to detailed assessments of and feedback on water resource plans, building on the process undertaken for the 2019 price review.
- 6.3. The Board noted the immediate next steps to increase Ofwat engagement with regional groups as they start to reconcile their early draft plans from August, outlining our expectations of the pre-consultation process with companies in autumn 2021. We would be providing consultation responses on regional and company plans in summer 2022, and intend to continue to engage closely with other regulators and government.

## **7. Open data update**

- 7.1. The Board received an update on the progress made on open data. The Executive presented a paper that provided an overview of our activities and key findings.
- 7.2. The Board noted the next steps and proposed approach, in particular the sector-wide programme of engagement. The Board discussed the reasons for this work and made a number of suggestions on engagement. The Board noted the intention to review the position in future to consider if greater intervention was needed.

## **8. Updates from Committee Chairs**

### **People Committee**

- 8.1. The Chair of the People Committee noted first that the Committee considered the impact of the recent bereavement within Ofwat that had been felt by all.
- 8.2. The two recent meetings of the Committee together had covered: an update on implementation of the People Strategy, focusing on the key steps taken since the

strategy was put in place, including the steps we are taking to strengthen our capabilities and transform our ways of working; an update on the progress made in developing our approach to future ways of working, highlighting the model we proposed to embed and proposed key principles; and our approach to the Civil Service pay remit at both SCS and non-SCS level.

### **Audit and Risk Assurance Committee**

8.3. The Chair of the Audit and Risk Assurance Committee reported on meetings held in June which covered:

- the final draft of the annual report and accounts 2020-21 and recommendation to the Accounting Officer that the annual report and accounts could be signed and issued for certification;
- the final Internal Audit annual report for 2020-21, and two Internal Audit reports on Information Governance and follow-up matters;
- the proposed finance transformation initiative, and project to establish a new data platform and associated processes for Ofwat's regulatory data; and
- the results of the last Departmental Security Health Check; and the lessons learnt from the Sixth Gear project. The Committee was pleased to hear that the project has been shortlisted for a CIPD award for best management initiative.

### **Chair of ARAC annual report**

8.4. Chair of ARAC presented to the Board her annual report on the work of the Committee during the 2020-21 financial year which the Board noted.

## **9. AOB**

9.1. The Board discussed the proposed agenda for the Board away day in July.

9.2. There was no other business and the Chair closed the meeting.

**Jenny Block**  
**Board Secretary**  
**24 June 2021**