

Minutes of Board meeting

Meeting held on Thursday 28 October 2021 (hybrid meeting)
 Venue: Bloomsbury House, 21 Bloomsbury Street, London WC1B 3HF

Board members / standing attendees

Jonson Cox	Non-executive Director, Chairman
Mark Bayley	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
Emma Kelso	Senior Director
Keith Mason	Senior Director
Paul Hickey	Managing Director, RAPID
Tim Griffiths	Director, PR24 and Beyond
Juliet Young	Director, PR24 and Beyond
William Godfrey	Director, PR24 and Beyond
Jamie Tunnicliffe	Director, Investor Relations
Sophie Shaw	Director, Legal
George Miller	Senior Associate, Policy and Outcomes
Peter Jordon	Principal, Policy and Outcomes
Harry Armstrong	Director, Regulatory Policy, Policy and Outcomes
Sarah Watson	Principal, Regulatory Policy, Policy and Outcomes
Bart Schoonbaert	Director, Environment, Public Value and Governance
Fayza Benlamkadem	Principal, Environment
Ian Pemberton	Principal, Environment

Kirelle McManus	Senior Associate, Environment
Sophie Hagon	Principal, Legal
Kate Kendall	Director, Future Assets and Resources
Martin Crouch	Specialist Advisor, RAPID
Alex Whitmarsh	Principal, Policy and Outcomes
Daniel Mitchell	Principal Economist, Policy and Outcomes

Apologies

Nicola Bruce	Non-executive Director
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1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 23 September were approved.
- 1.2 There were no interests to declare by reference to the matters for discussion at the meeting.

2. Interim Chief Executive's Report

- 2.1 The contents of the Interim Chief Executive's report were noted and discussed. The Board received updates on the following:
 - Work ongoing with respect to storm overflows, working alongside Defra and the EA;
 - The positive outcome of the Comprehensive Spending Review for Ofwat;
 - The announcement of the campaign to recruit the new Chair of Ofwat;
 - Proposals in relation to financial resilience; and
 - Progress on the UK and Welsh Governments' strategic policy statements for Ofwat.

Quarterly Portfolio Report

- 2.2 The Board received an update on the progress made and assessment of our activities in Q2 2021-22 across our portfolio, by reference to the ambitions in our strategy and our Forward Work programme for the year.
- 2.3 The Board noted the contents of the report, including key successes and management of our strategic risks.

3. Storm overflows

- 3.1 The Executive presented an overview of the background to the issues arising with respect to storm overflows in the context of government policy and growing public concerns, the ongoing work to address storm overflow performance, and Ofwat's approach to date and position.
- 3.2 The Board noted the vital importance of developing suitable solutions for the underlying causes of the issues, holding water companies to account for fulfilling their legal obligations, and recognising the complex interdependencies involved across a number of areas of government policy. The Board discussed the role that Ofwat could and should play and the levers at its disposal.

4. PR24: long-term delivery strategies and scenario planning

- 4.1 The Executive presented a paper setting out proposals to help focus the price review on long-term objectives by requiring companies to produce long-term delivery strategies, with proposals to secure a level of consistency and comparability.
- 4.2 The Board discussed the proposed requirements, including common requirements for what companies should include in their strategies with common 'reference scenarios' to help assess how far proposed business plan investments are appropriate given future uncertainties. The Board noted the value of identifying clear pathways and metrics, setting clear goals for the sector, and the role of collaborative regional planning in this context.
- 4.3 The Board noted that our approach to long-term delivery strategies will be set out in a discussion paper in the autumn.

5. PR24: outcomes regime

- 5.1 The Executive outlined the proposed approach to the outcomes regime in PR24, highlighting areas of company performance we should focus on at future price reviews.
- 5.2 The Board discussed the proposed approach to performance commitments, and agreed the proposals to help streamline the outcomes regime to achieve the greatest possible impact for consumers.
- 5.3 The Board noted the next steps to discuss proposals with industry stakeholders and return to Board in the first quarter of 2022 with overall recommendations for the approach to outcomes, including how we propose to set ODIs at PR24.

6. Asset management maturity assessment and operational resilience

- 6.1 The Executive presented a paper highlighting proposed next steps following publication of the asset management maturity assessment insights and recommendations report in October, including to track the progress companies are making against our recommendations.
- 6.2 The Board considered the key next steps and the proposed approach to asset health and operational resilience outlined in the paper and provided comments on the direction of further work. In addition to ensuring that companies deliver against the areas for improvement highlighted in the report, and share good practice, the Board agreed with the proposed approach to enhanced asset health monitoring.

7. RAPID regulatory and commercial framework

- 7.1 The Executive provided an update to the Board on the work of RAPID with respect to the development of the regulatory and commercial framework since we published the discussion document in May.
- 7.2 The Board noted the proposed approach to the November consultation document and the key strategic issues to be set out and related inter-dependencies, including work related to the development of the PR24 methodology.

8. Price controls to support the development of markets

- 8.1 The Executive presented a paper setting out Ofwat's broad approach to markets in PR24 and the role markets can play in driving better outcomes for customers and the environment and how Ofwat can support this through its price control mechanisms.
- 8.2 The Board noted that our approach has focused on the following three key areas of the price control framework since the May consultation:
- Taking forward work to further promote competition in bioresources;
 - In water resources, collaborative working through RAPID to address underlying issues; and
 - Exploring whether we could reduce our degree of regulation and rely more on competition in developer services.
- 8.3 The Board noted the next steps to return to Board in the spring with a wider package of proposals ahead of the draft methodology in the summer 2022.

9. AOB

- 9.1 The Board noted the forward plan for Board meetings.
- 9.2 There was no other business and the Chair closed the meeting.

Jenny Block
Board Secretary
28 October 2021