

Minutes of Board meeting

Meeting held on Thursday 16 December 2021
Virtual meeting on Teams

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

*Seema Kennedy left the meeting after item 5.

Other attendees

Claire Forbes	Senior Director
Keith Mason	Senior Director
Emma Kelso	Senior Director
Margret Read	Director, RAPID
Sally Irgin	Director of Enforcement, Regulatory Enablers
Harry Armstrong	Director, Regulatory Policy, Policy and Outcomes
Sarfraz Nawaz	Director, Finance and Procurement
Anita Payne	Director, Insight & Impact
Caroline Gregory	Director of IT, Digital and Estates
Emily Bulman	Director, Markets and Charging, Policy and Outcomes
Philip Hand	Principal, Markets and Charging, Policy and Outcomes
Jeevan Jones	Principal, Charging, Policy and Outcomes

Apologies

Paul Hickey	Managing Director, RAPID
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1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 25 November were approved subject to some minor amendments.
- 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 likely pressure on bills next year;
 - timing of the announcement of the Pennon / Bristol Water merger decision; and
 - recent meetings with water companies.
- 2.2 The Board was delighted to note Ofwat's success in winning an award for our Path Forward programme in the Improving Spaces category at the Government Property Agency Smarter Working Awards. This was a testament to all the initiatives that had been mobilised in response to the pandemic. The Board congratulated the team for their hard work and success.

3. Update on wastewater issues

- 3.1 The Board received a brief update on the Ofwat investigation into wastewater treatment works, recognising that Ofwat's investigation was at a very early stage.

4. Draft Forward Programme 2022-23

- 4.1 The Board discussed the proposed 2022-23 draft Forward Programme prior to consultation early in January 2022. The Board noted Ofwat's priorities for 2022-23 in the context of our three strategic goals: to transform water companies' performance; to drive water companies to meet long term challenges; and for water companies to provide greater public value.
- 4.2 The Board made a number of suggestions on the approach to the draft Forward Programme for consultation.
- 4.3 The Board delegated sign off of the consultation on the Forward Programme to the Interim Chief Executive and Board Secretary, subject to taking into account the Board's comments, and also delegated final sign off of the Forward Programme to the

Interim Chief Executive and Board Secretary, subject to no substantive changes being required following consultation.

Draft Budget and Licence Fees 2022-23

- 4.4 The Board discussed and approved the proposed overall budget and total annual licence fees for 2022-23 with a view to publication for consultation in the draft Forward Programme. The Board noted that the proposed overall budget would ensure that we remain within the Comprehensive Spending Review control total set for the year.
- 4.5 The Board noted the next steps to present the budget to the Board for final approval in March 2022 following the conclusion of the budget setting process and further discussion with the Audit Committee in February 2022.
- 4.6 The Board noted the need to consult the sector on a proposed increase in the licence fee cap over the remainder of the price review period to 2025.

5. Regulatory Data Platform

- 5.1 The Executive presented a paper providing an update to the Board, including learnings and conclusions following the discovery phase, exploring the replacement of our current regulatory data platform.
- 5.2 The Board noted the recommendations to pursue a multi-year project to develop a new data ecosystem, including a new data platform underpinned by a data governance framework and appropriate skills and capabilities, and reflecting the direction of our Data Strategy.
- 5.3 The Board noted the intended next steps to set up a small programme team to build on the findings from the discovery phase, considering in more detail the tools, technology and capability needed to maximise the effectiveness and efficiency of data-related functions within Ofwat. There would be a phased and agile approach to design, development, and implementation to manage risks and take advantage of opportunities, ensuring clarity of outcomes as we invest.

6. London office accommodation

- 6.1 The Executive presented the proposed recommendation to secure alternative London office accommodation at the expiry of our existing agreement in Bloomsbury Street.
- 6.2 The Board discussed the proposed recommendation and explored the options available, including by reference to value for money. It considered the perspective of staff and the constraints that may arise in practice in terms of sharing space, as well as the benefits that may arise as a result.

- 6.3 The Board delegated authority to the Senior Director, Corporate Enablers, to enter into the proposed arrangements set out in the paper.

7. Policy on new appointees

- 7.1 The Executive presented a paper that outlined the current state of the market and the potential of new appointees. The Board noted the current approach we are taking in terms of incrementally adapting our regulation to support and respond to their growth.
- 7.2 The Board considered the overall goal that new appointees should provide choice and improved service to developers, dynamic benefits and innovation, and a good service to customers. The Board noted that we had succeeded in broadly keeping pace with the significant growth in applications for new appointments and variations through increased efficiency.
- 7.3 The Board noted the next steps to increase our monitoring of the market, improving the quality of the information we hold; continuing to promote the market where appropriate, including to ensure appropriate support provided by incumbent water companies and improving the efficiency of our licensing processes.

8. Household charges and future charging policies

- 8.1 The Executive presented an overview of the household charging framework, exploring policy options to support affordability and wider objectives.
- 8.2 The Board discussed the existing charging framework and the options set out in the paper which will be developed and assessed in greater detail. The Board discussed the principles to be applied, and the importance of greater smart meter penetration across the sector for supporting greater water efficiency. The Board noted the strong relationship between charging mechanisms and bad debt, and encouraged steps to take account of learning from other sectors in this respect. In the context of our work on vulnerable customers, the Board noted the progress made in a number of respects, including in our joint work with Ofgem on the sharing of information on company priority services registers, but that there was more to do.
- 8.3 The Board noted the intention to return to Board on these issues in early 2022, potentially in conjunction with the PR24 draft methodology, and also by reference to our ongoing policy work to improve outcomes for customers, with particular focus on affordability and vulnerability.

9. Update from Committee chairs

Audit and Risk Assurance Committee

9.1 The Chair of the ARAC reported on the recent meeting of the Committee at which the Committee received updates on a number of matters, including:

- the timetable for the Annual Report and Accounts 2021-22;
- proposals in relation to Ofwat's accommodation;
- progress against the IT Strategy;
- recent internal audit reports and the process for re-procurement of our internal auditors;
- the discovery phase of the project considering the refresh of our regulatory data platform, drawing out what we had learned and highlighting key risks and opportunities of the proposed approach to developing the project; and
- the management of Ofwat's strategic risks and our approach to our risk appetite in advance of this coming to the Board for approval.

Major Projects Committee

9.2 The Chair of the Major Projects Committee reported on the meeting held in December at which the Committee:

- received an update on progress of the Thames Tideway Tunnel project;
- received an update on the viability of attracting different forms of financing to the provision of new strategic infrastructure via the DPC framework; and
- received updates on progress with the HARP project and Anglian Water's DPC project – Middlegate Water Treatment Works.

10. AOB

10.1 The Board noted the forward plan for Board meetings.

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

Jenny Block

Board Secretary

16 December 2021