

Minutes of Board meeting

Meeting held on Thursday 24 February 2022 (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
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
Keith Mason	Senior Director
Emma Kelso	Senior Director
Sally Irgin	Director of Enforcement, Regulatory Enablers
Harry Armstrong	Director, Regulatory Policy, Policy and Outcomes
Tim Griffiths	Director, Company Performance and Price Reviews
Daniel Mitchell	Principal, Company Performance and Price Reviews
Simon Harrow	Principal, Company Performance and Price Reviews
Matthew Greetham	Principal, Future Assets and Resources
Sophie Shaw	Director, Legal
Jamie Tunnicliffe	Director, Investor Relations
Andrew Chesworth	Director, Financial Resilience, Policy and Outcomes
Elinor Mathieson	Associate Director, Financial Resilience, Policy and Outcomes
Sophie Hagon	Principal, Legal
Jeannette Henderson	Principal, Innovation Fund, Policy and Outcomes

Jane Jellis	Director, Legal
Andrew Lincoln	Principal, Markets and Charging, Policy and Outcomes
Emily Bulman	Director, Markets and Charging, Policy and Outcomes
Gillian Cooper	Head of Energy Policy, Citizens Advice

Apologies

Paul Hickey	Managing Director, RAPID
-------------	--------------------------

1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 27 January 2022 were approved subject to 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:
 - water quality in rivers and related stakeholder and government engagement on next steps;
 - company and stakeholder response to the Interim Chief Executive's letter to the Chairs of water companies' Remuneration Committees;
 - progress in relation to the Havant Thicket reservoir project; and
 - update on engagement with particular companies.

3. Update on wastewater compliance issues

- 3.1 The Board received a brief update on the Ofwat investigation into companies' compliance with environmental permit requirements at their wastewater treatment works. The Board considered the overall objectives and goals set out in the paper, more generally across our various regulatory tools.
- 3.2 The Board was supportive of the proposed approach, including with respect to external communications on the progress of Ofwat's investigation. The Chair noted the need to be reflective of the degree to which companies had been open and had volunteered information on compliance issues in the approach the team took to enforcement, consistent with our published enforcement guidance.

- 3.3 The Board also considered related policy questions and the development of Defra's proposals under the Environment Act 2021.

4. Introduction to expenditure assessment for PR24

- 4.1 The Executive presented to the Board for discussion a paper introducing the proposed overall approach to setting efficient expenditure allowances for PR24 including the proposed approach to three key strategic issues which impact on expenditure allowances and outcomes: capital maintenance; the link between cost and service; and delivering best value.
- 4.2 The Board discussed the proposed approach to these strategic issues and the proposed way forward, including areas where further evidence is being gathered.
- 4.3 The Board noted the next steps to return to Board in April for further discussion on the strategic approach to cost assessment ahead of the PR24 draft methodology.

5. Financial resilience

- 5.1 The Executive provided a high-level overview of responses/themes emerging from responses to the financial resilience discussion paper. The paper, published in December 2021, looked at the options to change our regulatory framework in order to better protect customers and secure long term financial resilience.
- 5.2 The Board noted the comments received and the intended next steps to develop our proposals, including further engagement with the sector. The Board noted the aim to return to Board with proposals in due course.

6. Innovation Fund

- 6.1 The Executive presented a paper to the Board outlining proposed options for years 3-5 of the innovation fund along with the benefits and risks of each of the options.
- 6.2 The Board considered the options set out in the paper and agreed with the recommended approach for consultation in March 2022, making a number of suggestions on other issues to consider. The Board noted the next steps, including the intention to return to Board following the consultation to confirm the approach for years 3-5 of the innovation fund.

7. Customer Policy

- 7.1 The Executive provided an update to the Board on the key policy areas that we are focusing on to improve customer outcomes, in particular affordability and vulnerability, including the aim to develop a licence condition to support the protection of consumers.

- 7.2 The Board discussed and was supportive of the overall approach to the key policy strands. The Board noted the next steps, including the intention to provide updates as relevant to the Board on progress later in the year.

8. Citizens Advice

- 8.1 The Chair welcomed Gillian Cooper, Head of Energy Policy at Citizens Advice, to the Board meeting. Gillian shared her perspectives from working in the energy sector, in relation to which Citizens Advice has a statutory role. She provided insights on the range of issues facing consumers, particularly in relation to affordability, and reflections on the effectiveness of regulatory approaches in other sectors, including on the most effective ways to encourage changes in company behaviour. Gillian gave an overview of Citizens Advice's priorities for the coming year.
- 8.2 The Board noted the positive feedback provided by other sectors on the role and contribution of Citizens Advice and discussed what more could be done to enhance the consumer voice in the water sector. The Board thanked Gillian for attending the Board meeting and noted that we would continue to learn from their approach in relation to the sectors for which they had particular responsibility.

9. Update from Committee chairs

People Committee

- 9.1 The Chair of the People Committee reported on the meeting held in January at which the Committee considered:
- an update on progress made in delivering Ofwat's People Strategy, including the focus on leadership, and Ofwat's learning & development framework;
 - our wellbeing programme and progress made to promote and sustain wellbeing across Ofwat;
 - the results of the 2021 People Survey; and
 - the objectives of the UKRN Next Generation NEDs initiative, including progress made in establishing the first phase of the programme.

Audit and Risk Assurance Committee

- 9.2 The Chair of the Audit and Risk Assurance Committee reported on the recent meeting held in February at which the Committee considered:
- the interim accounts, draft Governance Statement and structure for the Performance Report for the annual report and accounts for 2021-22;
 - the approach to the management of Ofwat's strategic risks;
 - lessons learned from the Business Continuity exercise carried out in December 2021;

- an update on progress made in delivering Ofwat's evaluation strategy;
- the Ofwat Medium Term Financial Plan;
- the recent internal audit report on HR Recruitment; and
- an update on the appointment of Ofwat's internal auditors from 2022-23.

10. AOB

10.1 The Board confirmed the final membership of the Board committees for the coming year.

10.2 The Board discussed the forward plan for Board meetings.

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

Jenny Block

Board Secretary

24 February 2022