

Minutes of Board meeting

Meeting held on Thursday 27 January 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
Paul Hickey	Managing Director, RAPID
Sally Irgin	Director of Enforcement, Regulatory Enablers
Harry Armstrong	Director, Regulatory Policy, Policy and Outcomes
George Miller	Senior Associate, Company Performance and Price Reviews
Grace Garner	Principal, Company Performance and Price Reviews
Enrico Russo	Principal, Company Performance and Price Reviews
Tim Griffiths	Director, Company Performance and Price Reviews
Philip Hand	Principal, Markets and Charging, Policy and Outcomes
Jeevan Jones	Principal, Charging, Policy and Outcomes
Sophie Shaw	Director, Legal
Jamie Tunnicliffe	Director, Investor Relations
Kate Kendall	Director, Future Assets and Resources

Matthew Greetham	Principal, Future Assets and Resources
Ian Feltwell	Principal, Governance and Portfolio Performance
Anthony Ferrar	Chair, Water UK
Christine McGourty	Chief Executive, Water UK

1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 15 December 2021 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 EAC report on water quality in rivers and related stakeholder and government engagement on next steps;
 - water companies' intended bill increases: the Board noted and discussed the spectrum of bill increases across the sector against the backdrop of rising pressures on household income;
 - the UK Government's strategic priorities and objectives statement for Ofwat; and
 - the entry into force of new licence modification powers in relation to water companies whose areas are wholly or mainly in England.
- 2.2 The Board delegated to the Chair and Interim Chief Executive the decision on whether to raise the cap on a contract for legal services.

Quarterly Portfolio Report

- 2.3 The Board received an update on the progress made and assessment of our activities in Q3 2021-22 across our portfolio, by reference to the ambitions in our strategy and our Forward Work programme for the year and also by reference to the priorities and objectives set out in the UK Government and Welsh Government strategic priorities and objectives statements (SPSSs).
- 2.4 The Board noted the contents of the report, alongside the Interim Chief Executive report, including key successes and management of our strategic risks, and the communications quarterly report.

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 was supportive of the proposed approach to our external communications on progress of the investigation.
- 3.2 The Board considered the wider policy issues raised by the investigations that were being considered, including in the context of PR24 and our environment policy, and more generally across our various regulatory tools.

4. PR24: Engagement with Board

- 4.1 The Executive provided an update on the proposed approach to working with the Board in the course of developing the draft methodology for PR24, which will be published in Summer 2022.
- 4.2 The Board noted the next steps and overall plan for future Board discussions on the PR24 methodology.

5. Introduction to business plan incentives

- 5.1 The Executive provided an overview of the role of business plan incentives during the price review process, explaining how they were used during the 2019 price review and the key considerations for how these incentives could support our aims for PR24.
- 5.2 The Board noted the next steps to return to Board in April with a paper outlining our proposals for the key strategic decisions on the design of business plan incentives for PR24.

6. Thames Water gated allowances

- 6.1 The Executive provided an update to the Board on progress on Thames Water's gated allowances relating to Water Supply Resilience and the London Water Network, highlighting the risks to water supply resilience that are being addressed by the conditional funding allowance.
- 6.2 The Board noted that the company submitted its Gate 2 plan for the London Water Network allowance in December 2021 and this is currently in the process of being assessed. The Board also noted the key risks to supply and the company's responsibility to deliver the necessary upgrades.
- 6.3 The Board noted the intended next steps to make the provisional decision to pass Gate 2 by the end of January 2022 and to return to Board for approval for the proposed initial construction programme plan in May 2022.

7. Ofwat's Risk Appetite

- 7.1 The Board Secretary presented a paper to the Board outlining the proposed approach to setting Ofwat's risk appetite.
- 7.2 The Board considered the proposed approach focusing on embedding a strong risk culture in Ofwat, improving the quality of the discussions on risks and opportunities and improving focus on mitigating actions that have the most impact.
- 7.3 The Board considered Ofwat's approach and agreed that Ofwat's risk appetite should continue to be Open generally, but with a nuanced approach taking account of particular circumstances. For example, a more cautious appetite is appropriate for risks which could impact adversely on customers or the environment. The Board agreed with the proposed next steps.

8. Water UK

- 8.1 The Chair welcomed Christine McGourty (Chief Executive) and Anthony Ferrar (Chair) to the Board meeting. Anthony provided an overview of WUK's current priorities, proposed Vision for the sector and the challenges ahead in delivery between now and 2050. The Board noted the positive feedback provided by the industry on the role and contribution of WUK.
- 8.2 Against the backdrop of the environmental challenges and other pressures facing the industry, the Board focused the discussion on Water UK's role in driving responsible and constructive engagement from the sector on matters of grave public concern in terms of current performance. This was particularly the case in relation to poor performance on environmental issues. In a context where there were already inflationary pressures and broader challenges on the cost of living, the Board urged Water UK to play a stronger role in driving a clear sector plan to address these issues in the near term taking into account the substantial funding that had already been allowed in PR19 (and historically) for companies to meet their obligations. The Board also recognised the need for sustainable and efficient investment over the longer term to meet the challenges of climate change.

9. Update from Committee chair

Major Projects Committee

- 9.1 The Chair of the Major Projects Committee reported on the meeting held in January at which the Committee received updates on:
 - the responses received following a consultation on the proposed modifications to TTT's project licence;

- Anglian Water's DPC project concerning the Middlegate Water Treatment Works; and
- progress on the HARP DPC project, including a timeline to Outline Business Case approval.

10. AOB

10.1 The Board discussed the forward plan for Board meetings.

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

Jenny Block
Board Secretary
27 January 2022