

Minutes of Board meeting

Meeting held on Thursday, 22 September 2022 (in person)
 Grafham Conference Room, 17th Floor, Centre City Tower, 7 Hill Street, Birmingham B5 4UA

Board members / standing attendees

Iain Coucher	Chair
Alison Munro	Non-executive Director
Nicola Bruce*	Non-executive Director
David Jones	Non-executive Director
Jonathan Kini	Non-executive Director
Seema Kennedy	Non-executive Director
David Black	Chief Executive
Aileen Armstrong	Executive Director
John Russell	Executive Director
Lisa Commane	Executive Director
Jenny Block	General Counsel and Board Secretary

Other attendees

Keith Mason	Senior Director, Future Assets and Resources
Emma Kelso	Senior Director, Markets and Enforcement
Paul Hickey	Managing Director, RAPID
Anita Payne	Director, Insight and Impact
Juliet Young	Chief Economist
Lesley Salt	Principal, Company Performance and Price Reviews
Elinor Mathieson	Director, Financial Resilience, Policy and Outcomes
Rachel McCarthy	Principal, Financial Resilience, Policy and Outcomes
Amit Kamal	Principal, Policy and Outcomes
Christopher Pepper	Principal, Company Governance and Performance Monitoring
Andrew McGeoghan	Director, Company Performance and Price Reviews
Andrew Chesworth	Director, Financial Resilience, Policy and Outcomes
Tim Griffiths	Director, Company Performance and Price Reviews
Thea Hutchinson	Director, Company Performance and Price Reviews
Sophie Shaw	Director, Legal, PR24
Jamie Tunnicliffe	Director, Investor Relations

Jennie Seymour	Principal, Company Performance and Price Reviews
Stephen StPier	Director, Company Performance and Price Reviews
Caroline Gregory	Director of IT, Digital and Estates
Sir Nigel Shadbolt	Executive Chair of the Open Data Institute

Apologies

Mark Bayley	Non-executive Director
Claire Forbes	Senior Director, Communications

*Nicola Bruce joined the meeting virtually.

1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 20 July were approved.
- 1.2 There were no 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:
 - Ongoing planning in the context of the drought and consideration of future scenarios;
 - New government priorities and expectations of the sector, generating opportunities for further collaboration and driving improved performance;
 - Sector management of cyber security risk; and
 - Ofwat's ongoing casework, and in particular progress on the live enforcement investigations.
- 2.2 The Board reinforced the need for the sector to be learning from each other and sharing best practice to drive improved performance.
- 2.3 The Board expressed its appreciation to Lisa Commane, Sarfraz Nawaz and the finance team for their successful implementation of the new finance system.

3. Performance and Strategy

Impact of the outcomes approach on company performance

- 3.1 The Executive presented a paper considering the impact to date of the outcomes approach on company performance, focusing on two key elements: 1) performance commitments, and 2) financial incentives.
- 3.2 The Board noted areas where there had been step changes in performance over a short period of time, other areas where slower progress had been made, and also areas where performance continued to lag unacceptably.
- 3.3 The Board discussed the proposed approach to improving performance using the full range of our regulatory tools. The Board also discussed the findings outlined in the paper on how the sector has responded to the regime and implications for our future regulatory approach.

Service and Delivery Report 2021-22

- 3.4 The Executive presented a paper highlighting further analysis of company performance against the PR19 common metrics that are intended to be included in the Service and Delivery Report 2021-22 (SDR). The report is due to be published in November 2022 alongside the monitoring financial resilience report and following the publication of the in-period determinations.
- 3.5 The Board discussed the overall approach to the assessment of companies' performance, and the proposed key messages for the SDR and proposals for further engagement with the sector in areas where significant improvement is needed.

Monitoring financial resilience and financial performance metrics

- 3.6 The Executive provided an update to the Board on the ongoing review of the financial aspects of companies 2021-22 Annual Performance Reports (APRs), focusing on some of the key metrics monitored during the analysis and additional commentary provided.
- 3.7 The Board noted the key issues arising from the paper and next steps.

Ofwat Strategy

- 3.8 The Executive presented to the Board for discussion a paper setting out proposals for the additional steps we could take to drive the performance improvement needed across the sector to meet current challenges and to drive improved compliance.

- 3.9 The Board discussed the proposals and agreed with the direction of travel. The Board noted the challenges in terms of resourcing within our current envelope.

4. Executive pay

- 4.1 The Executive presented a paper for discussion setting out our assessment of companies' approach to performance related executive pay for the last financial year and proposed next steps.
- 4.2 The Board discussed and agreed the proposed approach to strengthening our expectations with respect to alignment of performance related pay with delivery of stretching performance.

5. Board session with Sir Nigel Shadbolt, Chair of Open Data Institute

- 5.1 The Chair welcomed Sir Nigel Shadbolt to the Board meeting. Sir Nigel provided his insights on how to make further progress and drive change in the application of open data in the water sector, sharing some learnings from other sectors both within the UK and internationally.
- 5.2 The Board and Sir Nigel discussed the immense opportunities from this work, harnessing best practice and promoting innovation, including supporting our drive for improved sector performance as well as improved data stewardship for the long term. The discussion was a useful backdrop to our review into the progress the industry has made against the expectations we set out in our H2Open publication last Autumn.
- 5.3 The Chair thanked Sir Nigel for taking the time to meet with Ofwat and for the Institute's support for our work in this area.

6. PR24 stakeholder engagement and summary of responses to the draft methodology

- 6.1 The Executive presented an overview of the range of stakeholder engagement that had been undertaken with respect to the PR24 draft methodology consultation and provided an overview of the initial assessment of the written responses received.
- 6.2 The Board noted the feedback received on strategic policy areas.
- 6.3 The Board also noted the timeline for PR24, including the key milestones for 2023 through to the end of 2024, and discussed the role of the Board in the context of engagement with companies on their plans.

Strategic policy issues for PR24 final methodology

- 6.4 The Executive presented a paper providing an overview of the key strategic policy areas with respect to the PR24 final methodology in advance of further discussion with Board in the autumn, and which the Board noted.

7. Drainage and wastewater management plans

- 7.1 The Executive presented a paper highlighting key findings from our assessment of draft drainage and wastewater management plans (DWMPs) which were published by companies for consultation in June 2022. The Executive summarised the proposed feedback to companies, and set out our proposed approach to seeking substantial improvements in final DWMPs.
- 7.2 The Board discussed and agreed the proposed approach, reinforcing the need for companies to set out robust and adaptive plans that address the areas of concern identified.
- 7.3 The Board noted a further update would be provided in early 2023.

8. 2021-22 in-period determinations

- 8.1 The Executive presented a paper summarising the proposed draft decisions on 2021-22 in-period determinations that we intend to publish for consultation at the end of September 2022. The Board discussed and confirmed the proposed approach.
- 8.2 The Board confirmed the delegation of final decisions as set out in the paper to the Senior Director, Company Performance and Price Reviews, subject to consultation with the Chief Executive.

9. PR24 Delivery Partner procurement

- 9.1 The Executive presented a paper outlining the preferred approach for seeking support from a Delivery Partner at PR24. The Board noted that the approach and options, and associated risks and opportunities, were considered by the Audit Risk and Assurance Committee at its meeting in September.
- 9.2 The Board noted the next steps and the procurement timeline set out in the paper.
- 9.3 The Board gave its approval to enable the Executive to finalise the procurement process and delegated authority to the Senior Director, Corporate Enablers to subsequently award the contract, in consultation with the Chief Executive, and subject to assurance from ARAC on the process followed and robustness of the evaluation.

10. Birmingham office lease

- 10.1 The Executive presented a paper setting out a proposal for office accommodation in Birmingham. The Board noted that the proposed recommendation and associated risks and opportunities were considered by the Audit Risk and Assurance Committee at its meeting in September.
- 10.2 The Board approved and delegated authority to Senior Director, Corporate Enablers to finalise the necessary agreements on the basis of the terms set out and to take forward opportunities to maximise the use of the space as set out in the paper.

11. Updates from Committee chairs

Audit and Risk Assurance Committee

- 11.1 The Chair of the Audit and Risk Assurance Committee reported on three meetings, the first of which was held on 14 June and focused on assurance of our 2021-22 Annual Report and Accounts. The ARAC meeting held on 23 June considered an update to Ofwat's IT Strategy reflecting Ofwat's developing requirements over the last 3 years of the 5 year IT Strategy and the refreshed IT Roadmap for the period 2022-2024, noting the flexibility and agility needed. The Committee also had an initial discussion of the proposed approach to procuring a delivery partner for PR24 and the related risks and their mitigations.
- 11.2 At its meeting on 16 September, ARAC discussed the two papers listed above under items 9 and 10.

People Committee

- 11.3 The Chair of the People Committee reported on the meeting held on 23 June at which the Committee received updates on: progress in delivering the People Strategy; next steps for the staff pay remit (and the Board noted its appreciation for the work to settle and pay the non-SCS award in August); progress in delivery of Ofwat's EDI strategy; returning to the office; and our intended response to the ongoing Civil Service review.

Major Projects Committee

- 11.4 The Chair of the Major Projects Committee reported on the meeting held on 26 July. The Committee discussed and approved the settlement agreement between Tideway and one of its main contractors; and received updates on progress of the Portsmouth Water Havant Thicket project, the HARP project, and Welsh Water's Cwm Taf project.

12. AOB

12.1 The Board noted the forward plan for Board meetings.

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

Jenny Block

Board Secretary

22 September 2022