

Minutes of Board meeting

Meeting held on Wednesday, 24 May 2023 (in person / hybrid)
Westferry House, 11 Westferry Circus, Canary Wharf, London E14 4HD

Board members / standing attendees

Alison Munro	Acting Chair, Non-executive Director
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
David Black	Chief Executive
Aileen Armstrong	Executive Director
John Russell**	Executive Director
Lisa Commane	Executive Director
Barney Quammie**	Observer, Boardroom Apprentice
Jenny Block	General Counsel (GC) and Board Secretary

Other attendees

Keith Mason	Senior Director
Paul Hickey	Senior Director
Mark Anderson	Director, Corporate Communications
Beth Corbould	Director, RAPID and Environmental Planning
Jonathan Dennis	Principal, RAPID and Environmental Planning
Sarfraz Nawaz	Director of Finance and Procurement
Jean Spencer	Independent chair of the National Framework
Chris Murray	Independent chair of Water Resources South East
Richard Blackwell	Director at Water Resources West
Daniel Johns	Managing Director at Water Resources East
Steve Lanzon	Project Director at West Country Water Resources
Lee Dance	Organisational Director at Water Resources South East
Neil Dewis	Director at Water Resources North
Andy Turner	Water Resources Resilience Manager at Environment Agency

Apologies

Iain Coucher	Chair
Claire Forbes	Senior Director
Emma Kelso	Senior Director

*Nicola Bruce dialled in and left after item 5

**Not present for part of the discussion under the Chief Executive's report

1. Opening Items and Declarations

- 1.1 The minutes of the Board meeting held on 27 April 2023 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 Chief Executive presented his report which covered key developments since the last Board meeting. The Board noted and discussed the contents of the report. The Board received updates on a range of matters, in particular on the following:
 - the launch of Water UK's 'reset', including the apology from water and sewerage companies for sewage spills and how they will work differently to address them, and Ofwat's response;
 - the announcement by most water company Chief Executives concerning their bonuses for last year;
 - the views expressed by the main political parties leading up to recent local elections in parts of England concerning the sector and the state of the country's waterways, and the Government's announcement of an intention to consult on a new growth duty for Ofcom, Ofgem and Ofwat;
 - high level results on sector performance for last year, including widespread failure to meet performance commitments on supply interruptions, with final results to be presented to the Board in July;
 - investor appetite for the UK water sector; and
 - ongoing discussions concerning company financial and operational resilience.
- 2.2 The Board approved two contract variations for the coming year to provide legal and consultancy support.

3. Update from Committee chairs

Casework Committee

- 3.1 The Chair of the Casework Committee reported on the meetings held in April and May where the Committee considered our priority enforcement cases into wastewater treatment works.

Audit and Risk Assurance Committee

- 3.2 The Chair of the Audit and Risk Assurance Committee reported on the May meeting at which the Committee focused on the annual report and accounts 2022-23.
- 3.3 The Committee also considered Ofwat's risk appetite, noted the progress made in delivering the internal audit plan for 2022-23 and the final internal audit plan for 2023-24 from our internal auditors, RSM.

4. National and regional water resource planning

- 4.1 The Chair welcomed Jean Spencer (Independent chair of the National Framework, Regional Coordination and Chairs Group) and Chris Murray (Independent chair of Water Resources South East) to discuss water resource planning. Jean and Chris gave an overview of the draft regional plans being developed by the 5 regional groups, highlighting the drivers of future water needs and potential solutions.
- 4.2 Jean and Chris discussed with the Board the adaptive approach to planning how much water is needed for the next five years, the common risks and challenges that all regions are facing e.g. drought resilience, climate change, growth and the need to influence consumer behaviour and to reduce abstraction to protect and improve the environment. The Board also discussed the part that Ofwat might play in addressing these challenges, the key priorities for the future and the focus for next five years to increase confidence in the deliverability of plans. It was helpful that Ofwat had made transition funding available for early investigations.
- 4.3 The Board noted that some water companies are publishing their final WRMPs on a delayed timetable, due to the feedback received in preparing and publishing the draft WRMPs, and thus some regional plans will also be delayed.
- 4.4 The Board thanked Jean and Chris for taking the time to meet with the Ofwat Board and for sharing their insights on the regional water resource planning process.
- 4.5 The Board then had an informative poster session with and the Environment Agency and all five regional groups where each presented their region's water resource plan.

5. Water efficiency fund

- 5.1 The Executive presented a paper outlining the early development of the approach to the water efficiency fund which was confirmed in our PR24 final methodology. The purpose of this fund is to help stimulate a transformative, sustained and measurable reduction in water demand nationally using a range of water efficiency methods.
- 5.2 The Board discussed the direction of travel set out in the paper and provided a steer on how to get the best out of funds allocated to water efficiency, and how to manage any risks associated with the fund. The Board encouraged an open consultation, seeking a collaborative approach, seeking ambitious and broad options to address this challenge from outside the sector as well as within it.
- 5.3 The Board noted the proposed next steps to proceed with a high level consultation in summer 2023 and return to Board in the autumn with a proposal in advance of a more detailed consultation in early 2024.

6. Ofwat's risk appetite

- 6.1 The General Counsel presented a paper to the Board outlining the proposed approach to setting Ofwat's risk appetite. The Board noted that the proposed approach was considered by the Audit Risk and Assurance Committee at its meeting in May.
- 6.2 The Board considered the proposed approach to risk appetite and the principles set out in the paper for the risk management framework. The Board agreed that Ofwat's risk appetite should continue to reflect a willingness to have an Open appetite generally, although it was important to recognise that a nuanced approach was required, 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 noted that it was not necessarily straightforward to provide clear categorisation and agreed with the approach set out and proposed next steps.

7. Draft Annual Report and Accounts 2022-23

- 7.1 The General Counsel and Director of Finance and Procurement presented the draft annual report and accounts 2022-23 and provided an update on the progress of the audit.
- 7.2 The Chair of the Audit and Risk Assurance Committee (ARAC) reported on the special ARAC meeting held in May at which the Committee reviewed the draft annual report and accounts, enabling members to highlight key issues. The Chair of the Committee reported that the revised report presented to the Board reflected the Committee's comments well.

- 7.3 The Board discussed the key themes contained within the draft annual report and the proposals made by ARAC. There were no substantive comments from the Board. The Board noted the areas that had yet to be finalised.
- 7.4 Subject to there being no material issues subsequently raised by Ofwat's external auditors or by ARAC, the Board delegated to the Audit and Risk Assurance Committee the final recommendation to the Accounting Officer on whether it was appropriate to sign off the annual report and accounts.

8. AOB

- 8.1 As this was Aileen Armstrong's last Board meeting, Alison Munro, on behalf of the Board, thanked Aileen for her significant contribution to Ofwat over the past seven years and wished her well in her next role.

Board forward planner

- 8.2 The Board noted the forward plan for Board meetings.
- 8.3 There was no other business and the Acting Chair closed the meeting.

Jenny Block
Board Secretary
24 May 2023