
SCOTTISH WATER BOARD MEETING MINUTES

Date 29th January 2020
Start Time 10.45am
Finish Time 2.15pm
Place Lauriston Room, Castle House, Dunfermline

Present:

Dame Susan Rice	Chair
Mr Douglas Millican	Chief Executive
Mr Peter Farrer	Chief Operating Officer (joined the meeting after Talent and Succession Planning Discussion)
Mr Matt Smith	Board Member
Mr James Coyle	Board Member (Items 1 – 7 only)
Mr Paul Smith	Board Member
Mr Iain Lanaghan	Board Member
Mrs Deirdre Michie	Board Member
Mr Ken Marnoch	Board Member
Mr Brian Strathie	Acting Director of Finance (joined the meeting after Talent and Succession Planning Discussion)

In attendance:

Professor Simon Parsons	Director of Strategic Customer Service Planning (joined the meeting after Talent and Succession Planning Discussion)
Mr Mark Dickson	Director of Capital Investment (joined the meeting after Talent and Succession Planning Discussion)
Mr Rob Mustard	Director of Digital & Transformation (joined the meeting after Talent and Succession Planning Discussion)
Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel (joined the meeting after Talent and Succession Planning Discussion)
Mrs Shirley Campbell	Director for People (Discussion on Talent & Succession Planning only)
Mrs Belinda Oldfield	General Manager - Revenue & Risk (Item 8(i) and (ii) only)
Mr Alan Fairweather	Head of Commercial (item 8(v) only)

TALENT & SUCCESSION PLANNING

Mr Millican and Mrs S Campbell led the Non-Executive Directors in a discussion on Talent and Succession Planning.

[Mrs S Campbell left the meeting at 11.15am]

PART I

1. APOLOGIES

Apologies were received from Mr Alan P Scott.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Lanaghan advised that that the Balmoral Group had acquired a majority stake in Blaze Manufacturing Solutions Limited (Blaze) and he has resigned as Chairman of Blaze.

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board meeting held on 4th December 2019
The draft minutes of the Board meeting held on 4th December 2019 were approved.

Paper 01/20 approved.

- (ii) Draft Audit Committee meeting held on 12th December 2019
The draft minutes of the Audit Committee meeting held on 12th December 2019 were noted.

Paper 02/20 noted.

- (iii) Draft Minutes of the Remuneration Committee meeting held on 25th November 2019
The draft minutes of the Remuneration Committee meeting held on 25th November 2019 were noted.

Paper 03/20 noted.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that, given the recent expansion of the definition of Lost Time Injury, a 12 Month Rolling (New) column has been included in the Safety KPI summary to enable a like for like comparison with the 2018/19 performance. He advised that, whilst there is still an underlying increase in the RIDDOR Injury Frequency Rate and the Lost Time Frequency Rate (LTFR), there have been fewer serious RIDDOR and LTA incidents. In response to a query from the Board, Mr Farrer outlined the status of the Safety strategic action projects being undertaken across Scottish Water. Following discussion, it was agreed that Mr Farrer would expand the Safety communications plan to include an update on progress of these projects.

Action 1 – Mr P Farrer

Mr Farrer explained the background to and the issues arising from five incidents during November and December 2019 which have been assessed as significant or offer an opportunity for wider business learning. The Board noted that the majority of these incidents were potential in nature, with no injury sustained. In response to a query from the Board, Mr Dickson advised that Scottish Water requires its contractors to confirm, at Board level, that they have adequate procedures and policies for lifting operations, in respect of both adequacy and effectiveness. The Board queried how Scottish Water ensures that this focus is replicated at an operational level. Mr Dickson explained that he and Mr Farrer meet with the Chief Operating Officers of Scottish Water's Operational Alliances on a monthly basis and the Alliances' Heads of Health and Safety meet monthly to share best practice and lessons learned. Sample audits are also undertaken. Mr Farrer confirmed that this remains an area of ongoing focus for Scottish Water. The Board discussed the importance of recognising the role of leadership in driving safety performance and Mr Farrer noted that this was emphasised at the recent SW One events.

In response to a query from the Board, Mr Farrer advised that a review of Scottish Water's drug and alcohol testing policy is underway in respect of high risk activities. Options and a proposal will be considered by the Executive Leadership Team (ELT) and then presented to the Board. Random testing is being considered as part of this review.

Mr Farrer advised that there has been a gradual but consistent increase in levels of long-term absence over the past four months and the potential reasons for this increase are being investigated by the People Directorate. A report providing insights and recommendations will be produced on conclusion of this investigation.

Paper 04/20 noted.

5. CEO REPORT – PAAG

Mr Millican highlighted the key issues arising out of the report, advising that, on 25th February 2020, Scottish Water will provide further evidence on the SR21 investment plan to the Environment, Climate Change and Land Reform Committee at the Scottish Parliament. He noted that, on 20th January 2020, the Infrastructure Commission for Scotland presented the findings of its report to Scottish Ministers and he highlighted the Commission's recommendations in respect of flood management and resilience.

Mr Millican provided an overview of performance, reporting overall positive water quality performance and noting a significant year on year reduction in the number of cryptosporidium detections.

Paper 05/20 noted.

6. FINANCE REPORT

Mr Strathie presented the paper, reporting that, to 31st December 2019, regulated PBT at £102.6m was £18.8m higher than budget. Sales were £17.1m higher than budget, reflecting £8m of income uncertainty provision releases in September 2019. Total expenditure was £0.4m lower than budget, after incident costs of £2.2m, and interest was £1.3m below budget. Gross capital investment to December was £489.2m, £34.8m lower than budget, but within the forecast range for the full year. Government loans at the end of December were £120m higher than budget at £3,638.6m due purely to the timing of loan drawdowns.

The out-turn forecast regulated PBT has increased by £13.4m to £130.6m, £28.1m higher than budget. This reflects higher income, lower total expenditure and lower interest charges. Forecast gross capital investment is £670.6m, within a range of £660m to £690m, with cash forecast at £369m, within a range of £365m to £375m. Mr Strathie noted that the year to date and forecast figures do not include any operating costs or capital expenditure in respect of the recent incident at Dunbar Waste Water Treatment Works.

Paper 06/20 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for December 2019 was 86.08, a decrease from the previous month's score of 87.90. The year to date (YTD) score decreased to 87.51, below the Business Target of 87.82 and the internal Stretch Target of 88.16. Mr Farrer highlighted the impact of a number of severe operational incidents. He advised that, on the basis of improved performance in January 2020, it is anticipated that the year-end Business Target will be achieved. He noted continued improvement in the Customer Experience score, which increased to 94.18% from 93.30% in November and 92.90% in October.

The in-month non-household CEM (nhCEM) score increased to 85.53 in December from 85.42 in November. The YTD score has increased to 84.60 and remains above the Business Target of 82.00 and the internal Stretch Target of 83.56. Mr Farrer confirmed that, based on current performance, we remain on forecast to achieve the Business Target and the internal Stretch Target for 2019/20. He noted a further decrease in the Development Services Survey scores in December 2019 and highlighted the significant improvements in timescales and communications which will be delivered by Project ASTRO, which is scheduled to go live on 23rd March 2020. The Board noted the extensive training programme which has been developed to ensure that Development Services teams will be ready and supported when the system goes live. Mr Farrer advised that a survey of small and medium-sized enterprise (SME) housing developers was conducted by the Scottish Government in Summer 2019. The report was issued in January 2020 and a number of themes in relation to Scottish Water have been identified from the comments provided. Mr Farrer provided details of the actions being taken in response. He highlighted the comments in respect of Scottish Water's surface water policy, explaining that, for sustainability and to protect customers from potential future sewer flooding, Scottish Water will not normally accept any surface water connections into the combined sewer system. In response to a query from the Board, he explained that Project ASTRO will improve communication in this regard as surface water restrictions will be clearly stated on Scottish Water's portal in order that housing developers are aware of the position.

Paper 07/20 noted.

[Mr Coyle left the meeting at 12.30pm]