

## SCOTTISH WATER BOARD MEETING MINUTES

<b>Date</b>	<b>29<sup>th</sup> June 2022</b>
<b>Start Time</b>	<b>10.00am</b>
<b>Finish Time</b>	<b>2.30pm</b>
<b>Place</b>	<b>Zoom Video Call</b>

<b>Present:</b>	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Alan P Scott	Strategy & Commercial Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Steven Dickson	Board Member
	Mrs Samantha Barber	Board Member (Item 3 – Part of Item 5(i) and Part of Item 8 only)
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member
	Mrs Deirdre Michie	Board Member
	Mrs Catriona Schmolke	Board Member
	Mr Graham Dalton	Board Member
<b>In attendance:</b>	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Brian Strathie	Director of Finance
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital & Transformation
	Mrs Shirley Campbell	Director for People
	Mr Brian Lironi	Director of Corporate Affairs
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr Joe Rowan	General Manager of Procurement (Item 4(iv) only)
	Mr John Cairney	Head of Digital Strategy & Architecture (Item 5(i) only)
	Mr Roger Mayor	Director, FA – Advisory Corporate Finance, Deloitte LLP (Item 5(ii) only)

### PART I

#### 1. APOLOGIES

There were no apologies received. Mrs Barber was delayed and joined the meeting at 10.10am. She then left the meeting at 12pm and re-joined at 2.20pm.

#### 2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required declaration or registration. There were no matters arising.

#### 3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 31<sup>st</sup> May 2022  
The draft Minutes of the Board meeting held on 31<sup>st</sup> May 2022 were approved.

**Paper 64/22 approved.**

- (ii) Draft Minutes of the Board Workshop held on 30<sup>th</sup> May 2022  
The draft Minutes of the Board Workshop held on 30<sup>th</sup> May 2022 were approved.

**Paper 65/22 approved.**

- (iii) Draft Minutes of the Audit & Risk Committee Meeting held on 25<sup>th</sup> May 2022  
The draft Minutes of the Audit & Risk Committee meeting held on 25<sup>th</sup> May 2022 were noted.

**Paper 66/22 noted.**

- (iv) Draft Minutes of the Remuneration Committee Meeting held on 26<sup>th</sup> May 2022  
The draft Minutes of the Remuneration Committee meeting held on 26<sup>th</sup> May 2022 were noted.

**Paper 67/22 noted.**

**4. OPERATIONAL & REGULATORY**

- (i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate was on a stable trend. The Lost Time Frequency Rate (LTFR) and Total Recordable Injury Rate (TRIR) were behind the previous year's results. The Board noted the sustained increase in hazard identification.

Mr Farrer explained the background to and the issues arising from three incidents in May 2022 which had been assessed as significant or which offered an opportunity for wider business learning. Mr Scott updated the Board following his review of the Property Services incident, noting that further work would be undertaken on measures to improve driver behaviour. In response to a query from the Board, Mr Scott confirmed that fatigue and workload pressures were not identified as factors in this incident. Mr Farrer explained that these factors were considered as part of all director-led reviews and also formed part of the Just and Fair Culture reviews, which would be rolled out across Scottish Water. Further to a question from the Board, Mr Scott noted that improved data was now available to team leaders through Power BI, enabling review of incidents by operational teams.

In response to a question from the Board, Mr Farrer confirmed that Scottish Water's annual Health & Safety Stand Down covered all sites. Mr M Dickson noted that Stand Down events were held across the construction industry, including after holiday periods, and highlighted the importance of ensuring that such events drive improvements. In response to a query from the Board, Mr Farrer outlined the Capital Investment Safety, Health & Wellbeing Culture programme. Mr M Dickson noted the shared commitment from Scottish Water's supply chain partners to these improvement initiatives and noted that the relative proportions of office and site-based employees was a factor in the difference between the Scottish Water and contractor RIDDOR rates.

Mr Farrer advised that the Safety, Health & Wellbeing Board sub-group had met to support the review of the draft 2022-2026 Safety, Health & Wellbeing Strategy, which would be completed in July and then presented to the Board for approval at its meeting on 31<sup>st</sup> August 2022. The Board noted the need for an appropriate balance between the safety, health and wellbeing aspects of the Strategy.

Mr Farrer reported that the in-month absence figure for May 2022 was 2.41%. The number of COVID-19 absences had increased to 40 confirmed cases since the date of the report. Mr Farrer advised that there had been no operational impact, but the position would continue to be monitored.

The Board noted the results of the SW Cares weekly sentiment analysis and considered the Wellbeing and Resilience results from the recent SW Today Tracker survey, noting that the question on managing workload scored the lowest of the six areas. In response to a question from the Board, Mrs S Campbell explained that the position varied across teams. The results had been disseminated to all line leaders, enabling them to lead discussions with their teams on workload management. Mrs S Campbell noted that, whilst the requirement to perform and transform may be a contributory factor in certain areas, system and process complexities had also been identified as a cause of workload pressures. Mr Mustard explained that the Transformation Management Office (TMO) co-ordinated Transformation planning, taking cognisance of challenges across the organisation. This was kept under continual review and the SW Today Tracker survey was one of the inputs to this process. A number of the Transformation initiatives would assist in addressing workload challenges, particularly the deployment of lean and agile solutions, with reviews being undertaken of the i-Hire process managed by the People Directorate and the Plan, Prepare, Deliver (PPD) process on the capital programme. He noted increasing demand across the organisation for support to deliver lean and agile solutions and advised that a Functional Hub had been established to deal with processes affecting individual areas of the organisation.

**Paper 68/22 noted.**

(ii) Chief Executive Report

Mr Millican presented the paper and provided an update on performance, noting that Scottish Water's 2021/22 Annual Report & Accounts: Performance & Prospects Report had been laid in Parliament on 27<sup>th</sup> June 2022. He advised that Scottish Water's trades unions had voted to accept the employee pay proposal and this would now be paid in July 2022, backdated to 1<sup>st</sup> April 2022. The Board noted that Mr Millican and the Chair had met with SEPA's Chair and Acting Chief Executive on 27<sup>th</sup> June 2022.

**Paper 69/22 noted.**

(iii) Regulatory Update

Professor Parsons presented the paper, informing the Board of relevant economic regulatory, drinking water quality and environmental issues, SPSO complaints and Data Protection updates. The Board noted Scottish Water's response of 31<sup>st</sup> May 2022 to the information request issued by the Water Industry Commission for Scotland (WICS).

Professor Parsons advised that an Enforcement Notice had been issued by the Drinking Water Quality Regulator (DWQR) in relation to an incident at Innellan District Meter Area between 8<sup>th</sup> August and 1<sup>st</sup> September 2021. He highlighted an emerging risk in relation to the Enforcement Notice regarding Turriff Water Treatment Works, with several recent Cryptosporidium detections.

**Paper 70/22 noted.**

(iv) Modern Slavery Act

Mr Rowan presented the paper, advising that Scottish Water's Modern Slavery Statement for the financial year 2021-22 had been updated to reflect feedback from the Executive Leadership Team (ELT) and the Audit & Risk Committee. In response to a query from the Board, Mr Rowan explained that the second bullet point in the "Next steps in FY22/23" section had been revised to ensure that it correctly reflected Scottish Water's approach, clarifying that, where modern slavery had been identified, Scottish Water would only continue to work with those suppliers as a last resort where no global alternative was available. He explained that this would be subject to ELT approval. He also noted that Scottish Water would seek to work with like-minded organisations to use our combined leverage to drive change.

Following consideration, the Board approved the FY21/22 Modern Slavery Statement, granting delegated authority to Mr M Dickson to sign the Statement. The Board noted that the Statement would be published on Scottish Water's website within six months of the financial year end and would be subject to a short assurance process prior to publication.

**Paper 71/22 approved.**

(v) Wholesale Market Update

Mr Strathie presented the paper, providing an update on the wholesale market. He reported that Scottish Water was developing a financial resilience framework with WICS to inform the required level of wholesale prepayments for each Licensed Provider (LP). A preferred candidate for the role of Market Health Checker had been identified and the appointee would work with the Senior Stakeholder Group (SSG) to develop a detailed proposal for the scope and implementation of the Market Health Check over the next six months. Subject to Central Market Agency (CMA) approval, it was proposed that the CMA would contract with the Market Health Checker and its activities would be funded through the CMA from performance standard fines.

Mr Strathie highlighted positive feedback from LPs in relation to the Wholesale Resolutions Team pilot, with planning now underway to transition to an enduring model. The Board noted positive progress in the smart metering infrastructure pilot. The Board considered the results of the 2022 annual LP survey, noting the best-ever scores for Overall Satisfaction.

Mr Strathie advised that, during the SR15 regulatory period, Scottish Water paid interest at 4% on LPs' deposits. Narrative within the Final Determination indicated that interest should be paid at CPI plus 2%. Scottish Water had highlighted this to WICS and would work with WICS to mitigate this risk.

**Paper 72/22 noted.**