

SCOTTISH WATER BOARD MEETING MINUTES

Date	30th October 2019
Start Time	10.35am
Finish Time	2.35pm
Place	Lauriston Room, Castle House, Dunfermline, Fife

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Matt Smith	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member
	Mrs Deirdre Michie	Board Member
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital
	Miss Susan Hill	Corporate Secretary and Senior Legal Counsel
	Mr Brian Strathie	General Manager Financial Control
	Mrs Belinda Oldfield	General Manager – Revenue & Risk (Items 8(i) & 8(ii) only)
	Mr Alan Scott	General Manager Water Services Strategy (Item 8(iii) only)
	Professor Elise Cartmell	Chief Scientist (Item 8(iii) only)
	Mr Andrew Dunbar	Water Services Strategy Manager (Item 8(iii) only)
	Mr Brian McCarthy	Reservoir Manager (Item 9(ii) only)
	Mr Paul Kerr	Head of Horizons (Item 9(iv) only)
	Mrs Shirley Campbell	Director for People (Item 9(iv) only)

PART I

1. APOLOGIES

Apologies were received from Mr James Coyle, Board Member and Mr Alan P Scott, Finance Director. The Chair noted that she had received comments in advance from Mr Coyle, which will be addressed during the meeting.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Iain Lanaghan, Board Member, advised that he has been re-appointed as a Non-Executive Director and Audit Chairman of Defence Equipment & Support for a further three year term up to December 2022, and that Movell – The Bus Company Limited, which trades as Metropolitan European Transport Limited, has filed for Creditors Voluntary Liquidation and he remains a Non-Executive Director of that company.

There were no other 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 28th August 2019
The draft Minutes of the Board meeting held on 28th August 2019 were approved.

Paper 98/19 approved.

- (ii) Draft Minutes of the Audit Committee Meeting held on 27th August 2019
The draft Minutes of the Audit Committee meeting held on 27th August 2019 were noted.

Paper 99/19 noted.

- (iii) Draft Minutes of the Board Workshop held on 25th September 2019
The draft Minutes of the Board Workshop held on 25th September 2019 were approved.

Paper 100/19 approved.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, noting that this is a two month report. He reported that safety performance has declined in terms of the RIDDOR Injury Frequency Rate, the Total Recordable Injury Rate and Member of the Public Incidents. The Lost Time Frequency Rate, the High Potential for Injury (HPI) incidents and Reportable Dangerous Occurrence incidents are on an improving trend. He explained the background to and the issues arising from five incidents during August and September 2019 which have been assessed as significant or potentially significant for wider business learning. In response to a query from the Board in relation to the health and safety improvement programme, Mr Farrer agreed to investigate why this programme is behind target with regards statutory compliance and what sits behind the “scoping” stage.

Action 1 – Mr Peter Farrer

Paper 101/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report and, together with the Chair, provided an update following a meeting at the Scottish Parliament on 1st October 2019 where attendees were invited to share their ideas regarding climate change and biodiversity loss. Following a query from the Board in relation to the roadmap for achieving net zero emissions, Professor Parsons shared a flyer in connection with Scottish Water’s carbon footprint. The Board discussed in detail the use of the terminology “climate emergency” as opposed to “climate opportunity” and whether it conveys appropriate expectations. Mr Millican also reported that on 5th November 2019, he and Professor Parsons will appear before the Environment, Climate Change and Land Reform (ECCLR) Committee at the Scottish Parliament in connection with the SR21 Strategic Review of Charges and that the WICS, Customer Forum and Business Stream will also be participating in the evidence session.

Mr Millican provided an overview of performance, in particular, noting the volatility surrounding drinking water quality. He reported that leakage performance was very positive but that capital investment was lower than budget and investment opportunities are continuing to be explored. Mr Millican also highlighted that senior leaders have been engaged at internal events exploring key elements of the Strategic Plan.

Paper 102/19 noted.

6. FINANCE REPORT

Mr Strathie presented the paper, reporting that, to 30th September 2019, regulated profit before tax (PBT) at £71.1m was £12m higher than budget. Sales were £14.3m higher than budget reflecting £8m of income uncertainty provision releases, with total expenditure £2.7m higher than budget, driven mainly by incident costs of £2m and interest £0.4m below budget. Gross capital investment to September 2019 was £311.2m, £48.1m lower than budget, but within the forecast range for the full year.

Mr Strathie reported that the out-turn forecast regulated PBT is now forecast £14.7m higher than budget at £117.2m, an increase of £2.4m from the previous forecast reflecting a £9.7m increase in wholesale revenue partially offset by an increase in the forecast for operating costs of £1.3m and higher depreciation charges of £6m. Following a query from the Board, Mr Strathie provided some further clarity around the depreciation figure. Mr Strathie also reported that the amount billed to household customers was £2.5m higher than budget at £909.5m and cash collected from household customers was £3.6m higher than budget at £486.2m. He also advised the Board that he anticipates drawing down some new loans from the Scottish Government in November 2019.

In terms of Scottish Water Horizons Limited, Mr Strathie reported a loss before tax to 30th September of £285,000, £642,000 worse than budget. He explained that the majority of this was due to timing issues within developer projects and operational issues at Deerdykes. Accordingly, the PBT for the year is now forecast to be in the range of £0.3m to £0.6m. As regards the Aberdeen PFI companies, Mr Strathie reported that these were both performing better than budget.

Paper 103/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for September 2019 was 87.15, an increase from the previous month's score of 84.77. The year to date (YTD) score decreased to 87.63 which is below the business target of 87.82 and the internal stretch target of 88.16. However, he is confident that these targets will still be achieved. The in-month non-household CEM (nhCEM) score increased from 81.67 in August to 85.44 in September, with the rolling twelve month score and YTD score increasing and remaining above the business target of 82.00 and the internal stretch target of 83.56. He highlighted an improvement in the Development Services survey up 7.84% to 74.15% and a 100% score in connection with Licenced Providers.

Mr Farrer reported that there are currently no outstanding referrals or recommendations sitting with SPSO or DWQR and that the Buchanan Street, Largs case should be closed shortly. The Board discussed in detail the topic of the month which is "Customers in Vulnerable Circumstances", in particular with regard to definitions and categories of customers and data privacy, and noted the research carried out, the key findings and next steps.

Paper 104/19 noted.