

SCOTTISH WATER BOARD MEETING MINUTES

Date	30th May 2018
Start Time	9.50am
Finish Time	12.45pm
Place	Verandah Room, Norton House Hotel, Edinburgh

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan P Scott	Finance Director
	Mr Matt Smith	Board Member
	Mr James Coyle	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mrs Deirdre Michie	Board Member
	Mr Ken Marnoch	Board Member
In attendance:	Professor Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr Brian Lironi	Director of Corporate Affairs (Item 11(iv) only)

PART I

1. APOLOGIES

There were no apologies received.

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 2nd May 2018
The draft Minutes of the Board meeting held on 2nd May 2018 were approved.

Paper 52/18 approved.

- (ii) Draft Minutes of the Special Audit Committee Meeting held on 2nd May 2018
The draft Minutes of the Special Audit Committee meeting held on 2nd May 2018 were noted.

Paper 53/18 noted.

- (iii) Draft Minutes of the Audit Committee Meeting held on 23rd May 2018
Mr Coyle, Chair of the Audit Committee, provided a verbal report of the meeting held on 23rd May 2018.

- (iv) Draft Minutes of the Remuneration Committee Meeting held on 24th May 2018
Mrs Barber, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 24th May 2018.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that, whilst the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) are on an improving trend, there have been two High Potential for Injury (HPI) incidents in the month. He explained the background to and the issues arising from the H&S incidents set out in the report. The Board noted the root cause analysis and Mr Farrer updated the Board on the lessons learned following completion of executive reviews in relation to the incidents. The Board discussed the importance of Health & Safety leadership site visits and the ongoing focus on behavioural safety. Following a query from the Board, Mr Farrer confirmed that the declining LTFR trend in relation to Scottish Water's Operational Alliances is being monitored and will be addressed. Overall Scottish Water sickness absence rate is on an improving trend at 2.52%, as is the Wellbeing Training Occupancy Rate at 91.4%. Scottish Water's Safety, Health & Wellbeing Survey will be issued in June 2018, providing an opportunity for employees to share their views across these areas, with the output reflected in Functional Improvement Plans and the Safety, Health & Wellbeing Strategic Plan 2018/19. Scottish Water's occupational health provider, Duradiamond, commenced delivery of the Health Surveillance Programme on 21st May 2018. A progress report will be provided at the Safety, Health & Wellbeing workshop on 26th June 2018.

Paper 54/18 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, advising that Professor Donald MacRae has been appointed as Chair of the Board of the Water Industry Commission for Scotland (WICS) for a term of four years. On 14th May 2018, Mr Millican attended a meeting hosted by Roseanna Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform, with Hannah Blythyn, Minister for the Environment, Welsh Government, to discuss and share experiences on the management of issues such as sustainable drainage. Mr Millican provided an overview of performance, highlighting that leakage in April was lower than in March, but higher than target due to the consequences of the severe winter weather in early March.

Paper 55/18 noted.

6. FINANCE REPORT

Mr Scott reported that, to 30th April 2018, regulated profit before tax (PBT) at £9.6m was £0.3m above budget. Sales were £0.2m higher than budget, with total expenditure £0.1m above budget and interest £0.2m below budget. Gross capital investment to April was £60.9m, £0.8m higher than budget and within the forecast range. The amount billed to household customers was £0.7m lower than budget at £885.3m and cash collected from household customers was £1.2m lower than budget at £59.9m.

Paper 56/18 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that, due to the impact of severe weather in the final quarter of 2017/18, household CEM (hCEM) performance was 86.36 against the target of 86.5. He noted that, as the 2018/19 target was calculated as a 5% reduction in lost points against the 2017/18 target, rather than the outturn, the business target of 87.17 in 2018/19 equates to a 5.9% reduction in lost points. The in-month hCEM score for April 2018 was 87.30, an increase from the previous month's score of 85.01, due largely to a reduction in service issue contacts and events impacting customers in the month. The Customer Experience Score was 92.1%, with both of the perception-based surveys showing an increase in satisfaction levels. Following successful achievement of the internal stretch target for non-household CEM (nhCEM) in 2017/18, a business plan target of 79.19, equating to a 10% reduction in lost points, has been set for 2018/19. Mr Farrer noted a disappointing start to the year, advising that the in-month nhCEM score increased from 74.55 in March to 75.96 in April, but the rolling twelve-month score reduced from 77.50 to 77.36, due mainly to an increase in escalations and formal complaints. Whilst an increase was achieved in the Developer Experience Survey, this remains low at 42%. Mr Farrer confirmed that these areas are subject to further analysis and actions to reduce the level of lost points in order to achieve the business plan target.

Mr Farrer updated the Board on the current position in relation to the upheld SPSO complaint regarding noise and vibration at Tayport Waste Water Pumping Station, advising that the programme of work to relocate the rising main is now complete. Scottish Water has engaged RMP (Edinburgh Napier University) to carry out independent external monitoring to provide a comparison of noise and vibration levels before and after the works. The customer has not granted permission for RMP to conduct internal noise and vibration monitoring, but has indicated that he intends to commission another company to carry out this monitoring. Details are awaited from the customer. The customer has not yet agreed to meet with Mr Farrer, following his offer to do so in order to ensure that all outstanding matters are resolved satisfactorily.

The Board noted the continued progress in relation to understanding customers' needs and expectations through Phase 2 of the customer research programme, Engage 21, which is providing insights to inform Scottish Water's approach to investment in the next regulatory period.

Paper 57/18 noted.

8. AUDIT COMMITTEE ANNUAL REPORT TO BOARD

Mr Coyle presented the Annual Report from the Audit Committee to the Board, noting that this was tabled at the Audit Committee Meeting on 23rd May 2018.

Paper 58/18 noted.

9. WICS ANNUAL RETURN

Professor Parsons introduced the paper, explaining that the Annual Return Overview incorporates changes requested by the Audit Committee following its review of the document at its meeting on 23rd May 2018. The Board requested an amendment to paragraph 5.2, replacing the reference to "March" with "April" 2018.

Action 1 – Professor S Parsons

Subject to this amendment, the Board endorsed submission of the Annual Return Overview document as part of the Annual Return of Information to WICS and approved the Board's assurance statement. The Board delegated authority to Professor Parsons to make minor changes to the Overview document that may be required in the finalisation of the Annual Return.

Paper 59/18 approved.

10. ANNUAL REPORT & ACCOUNTS

Mr Scott introduced the paper, advising that the Audit Committee reviewed the accounts with the auditors, KPMG, at its meeting on 23rd May 2018. The Board considered the going concern and viability statements and approved (i) the Annual Report and Accounts; and (ii) submission of the Representation Letter to KPMG.

The Board noted that KPMG has reviewed and is comfortable with the actuarial assumptions applied within the financial statements to the defined benefit pension schemes, but requires the Board, having taken actuarial advice, to determine the key assumptions to be used in calculating the financial position in relation to pensions. At its meeting on 23rd May 2018, the Audit Committee reviewed the assumptions used in the accounting assessment, based on the advice provided by Hymans Robertson, and agreed to recommend these assumptions to the Board. Following consideration, the Board approved the assumptions used in the accounting assessment.

Mr Millican distributed a document setting out the key messages in relation to the Members' Remuneration Report 2017/18. It was agreed that Mr Lironi would circulate a wallet card to Board Members containing contact details for Corporate Affairs.

Action 2 – Mr B Lironi

Paper 60/18 approved.