

## MINUTES SCOTTISH WATER BOARD MEETING MINUTES

**Date**                **30<sup>th</sup> October 2024**  
**Start Time**       **1:00pm**  
**Finish Time**      **3:30pm**  
**Place**               **MS Teams Video Call**

**Present:**

Mrs Deirdre Michie	Chair
Mr Alex Plant	Chief Executive
Mr Peter Farrer	Chief Operating Officer
Mr Alan Dingwall	Chief Financial Officer
Mrs Catriona Schmolke	Board Member
Mr Iain Lanaghan	Board Member
Mr Graham Dalton	Board Member
Mr Steve Dickson	Board Member
Mr Ken Marnoch	Board Member
Mr Ian McAulay	Board Member

**In attendance:**

Mrs Emma Campbell	Group Legal Counsel & Director of Governance and Corporate Secretary
Mrs Wendy Kimpton	Director for Strategy & Regulation (Item 5 only)
Mrs Lynne Highway	Director for People (Item 6(i) only)
Professor Simon Parsons	Director of Environment, Planning & Assurance (Item 6(ii) only)
Mr Paul Kerr	Managing Director Horizons (Item 6(ii) only)

### PART I

#### 1. APOLOGIES

There were no apologies received.

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

Mr Dickson advised that he had been appointed as a Trustee Director (Members' Representative) of BT Pension Scheme Trustees Limited with effect from 11<sup>th</sup> January 2025.

The Chair declared her interest in relation to item 6(ii) of the agenda, noting that her husband is a Director of Robert Gordon University (RGU) Energy Transition Institute.

There were no matters arising.

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

- (i) Draft Minutes of the Board Meeting held on 28<sup>th</sup> August 2024  
The draft minutes of the Board meeting held on 28<sup>th</sup> August 2024 were approved, subject to an agreed amendment to the minute in respect of item 6(ii) and the re-ordering of items 10 and 11.

**Paper 81/24 approved.**

- (ii) Draft Minutes of the Board Strategy Meeting held on 25<sup>th</sup> September 2024  
The draft minutes of the Board Strategy meeting held on 25<sup>th</sup> September 2024 were approved.

**Paper 82/24 approved.**

- (iii) Draft Minutes of the Audit & Risk Committee Meeting held on 27<sup>th</sup> August 2024  
The draft minutes of the Audit & Risk Committee meeting held on 27<sup>th</sup> August 2024 were noted.

**Paper 83/24 noted.**

- (iv) Draft Minutes of the Special Remuneration Committee Meeting held on 28<sup>th</sup> August 2024  
The draft minutes of the Special Remuneration Committee meeting held on 28<sup>th</sup> August 2024 were noted.

**Paper 84/24 noted.**

- (v) Draft Minutes of the Special Remuneration Committee Meeting held on 6<sup>th</sup> September 2024  
The draft minutes of the Special Remuneration Committee meeting held on 6<sup>th</sup> September 2024 were noted.

**Paper 85/24 noted.**

**4. MONTHLY/QUARTERLY PERFORMANCE**

- (i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting continued improvement across the RIDDOR Injury Frequency Rate, Lost Time Frequency Rate (LTFR) and Total Recordable Injury Rate (TRIR). The Board considered the background to and the issues arising from two incidents which had been assessed as significant during September 2024. Mr Farrer explained that a further Director-Led Review (DLR) of the High Potential Incident (HPI) at Carron Valley Water Treatment Works was scheduled for 8<sup>th</sup> November 2024. Further to a comment from the Board, Mr Farrer advised that the Health & Safety team was introducing human factor issues as part of Scottish Water's engagement with contractors. The Board highlighted the importance of setting clear expectations of anyone working on a Scottish Water site.

Following a question from the Board in relation to Scottish Water's "Service With Respect" campaign, Mr Farrer outlined the robust procedures in place to ensure that abuse towards Scottish Water's employees will not be tolerated. Further to a query from the Board, it was agreed that further investigation would be undertaken in relation to the mental health absence rate among employees over the age of 50, in light of the findings from the recent Employee Experience Survey.

**Action 1 – Mr P Farrer / Mrs L Highway**

Following a question from the Board in relation to H&S Audit and Assurance, Mr Farrer clarified that the actions identified represented opportunities for continuous improvement.

**Paper 86/24 noted.**

(ii) Half-Yearly Finance Update

Mr Dingwall presented the paper, updating the Board on financial performance for the period ending 30<sup>th</sup> September 2024 and the revised forecast performance for the year to 31<sup>st</sup> March 2025. The Board welcomed the new format of the paper. Following discussion, it was agreed that it was appropriate to focus on organisational health and to provide an assessment of the overall Group position.

Mr Dingwall reported that operational performance was ahead of budget at the half-year, noting that the forecast reflected the scope for winter uncertainties that could impact on profit to the end of the year. Forecast Profit Before Tax (PBT) was in the range of £35m to £55m, against a budget of £25m. He highlighted that unfilled vacancies provided an opportunity to out-perform. Year-to-date investment was maintaining pace and would be at the top of the investment range (£1.1bn), putting more pressure on cash. In response to a query from the Board, Mr Dingwall confirmed that the investment programme was being monitored closely and outlined the levers available to manage cash balances for the remainder of the year and at the year end. He noted that there had been no adverse feedback from suppliers following reversion to pre-COVID payment terms from 1<sup>st</sup> October 2024. The Board expressed concern as to the risk of overspend on the investment programme, particularly in light of external pressures and challenges. Following discussion, it was agreed that a detailed analysis of investment performance and progress over the SR21 period would be provided to the Board.

**Action 2 – Mr A Dingwall**

Mr Dingwall confirmed an upward trajectory in respect of repair costs, explaining that this had been budgeted for. In response to a query from the Board, Mr Dingwall outlined the drivers, noting that these had been reviewed by the Executive Leadership Team (ELT) and an overspend was not anticipated. He highlighted the controls in place from a cash perspective and confirmed that these were being closely monitored. Following a query from the Board, it was agreed that Mr Dingwall would establish whether pre-payment of employer pension contributions was tax deductible.

**Action 3 – Mr A Dingwall**

The Board considered the Directorate FTE summary. Following a query from the Board, Mr Dingwall explained that the number of FTEs had increased year-on-year and an element of the variance from budget was due to phasing. He noted requests for additional resource through the current business planning process, which would be reviewed against Tier 1 affordability. Mr Plant advised that the performance reviews being undertaken across Scottish Water would review FTE in more detail and highlighted the importance of a solid platform for SR27 to enable a stretching but achievable efficiency target.

Mr Dingwall provided an update on the key points for Scottish Water arising from the UK Government's budget announcement.

**Paper 87/24 noted.**

(iii) Chief Executive Report

Mr Plant presented the paper, reporting positive performance and acknowledging the impact of benign weather conditions. The Board queried the increase in leakage in September 2024. Mr Plant detailed the measures in place to secure leakage reductions and Mr Farrer highlighted the additional resource committed to this programme. Mr Plant advised that leakage was forecast to decrease in October. The Board considered Environmental Pollution Incidents (EPI) performance. Following a question from the Board, Mr Farrer noted that Category 1 and 2 EPIs were significantly lower than previous years, with Outcome Performance Assessment (OPA) at its highest-ever level. He noted the impact of weather conditions upon both leakage and EPI performance, highlighting the role of increased monitoring and installation of sensors across the network. Mr Plant reported that Scottish Water had now completed the installation of 1000 Combined Sewer Overflow (CSO) monitors, meeting the regulatory commitment under the Improving Urban Waters Routemap.

The Board considered the key results from the September 2024 Employee Experience survey. Mr Plant advised that the results were positive overall, and had been considered in detail by the ELT. It had been agreed that further analysis would be undertaken in respect of consistently lower sentiment among field workers, those over the age of 50 and long-serving staff, with targeted communication and engagement being considered. In response to a query from the Board, Mr Plant clarified that Scottish Water had met or exceeded the benchmark scores for 18 out of 30 survey categories and, where Scottish Water was lower than the benchmark, this was by only a few points.

**Paper 88/24 noted.**