

SCOTTISH WATER BOARD MEETING MINUTES

Date	29th April 2020
Start Time	10:55am
Finish Time	2:20pm
Place	Video Conference Call

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
	Mr James Coyle	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mrs Deirdre Michie	Board Member
	Mr Ken Marnoch	Board Member (Items 1–5 only)
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital & Transformation
	Mr Brian Strathie	Acting Director of Finance
	Mr Alan P Scott	Finance Director (Item 8(ii) only)
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr Paul Kerr	Head of Horizons (Item 9(iv) only)
	Mrs Shirley Campbell	Director for People (Item 9(vi) only)

PART I

1. APOLOGIES

There were no apologies received.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Iain Lanaghan advised that he had been appointed a Non-Executive Director of the Oil and Gas Authority (OGA). There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 1st April 2020
The draft Minutes of the Board meeting held on 1st April 2020 were approved.

Paper 40/20 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 23rd March 2020
The draft Minutes of the Remuneration Committee held on 23rd March 2020 were noted.

Paper 41/20 noted.

(iii) Draft Minutes of the Audit Committee Meeting held on 31st March 2020

The draft Minutes of the Audit Committee Meeting held on 31st March 2020 were noted.

Paper 42/20 noted.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate, the Lost Time Frequency Rate (LTFR) and the Total Recordable Injury Rate (TRIR) are on a worsening trend when compared to the previous year, but the three-year trend remains stable to improving. The number of High Potential Incidents (HPIs) has increased to 17 from 13 in 2018/19, reflecting the active promotion of HPI reporting in order to provide learning opportunities to prevent health and safety incidents. Reportable Dangerous Occurrences and Member of the Public Incidents are on an improving trend. He advised that there were no incidents in March 2020 which were assessed as significant or offer an opportunity for wider business learning. The Board noted the position in relation to two minor incidents in the period. Further to the action arising from the previous meeting, Mr Farrer explained that there is first aid provision on Scottish Water's sites and advised that, whilst there is currently no indication that the COVID-19 pandemic is affecting the availability of ambulances, this will be kept under review. The Board queried the pattern of Scottish Water Contractor RIDDOR incidents over the past four years. Mr Dickson explained that, given the numbers involved, a significant spike may represent one or two incidents. He confirmed that incidents are reviewed to identify and address any actions arising, with particular focus on those with similar root causes to previous incidents. Work is underway with the Health & Safety team to improve how learning from incidents is shared among contractors across the supply chain and, in particular, how this learning can be made more accessible and impactful. Following discussion, it was agreed that Mr Farrer and Mr Dickson would raise this issue with the Capital Investment Safety, Health & Wellbeing Steering Group, asking members to review and comment on the pattern of incidents, and would report back to a sub-group of the Board comprising Mr Marnoch and Mr P Smith.

Action 1 – Mr P Farrer & Mr M Dickson

In response to a query from the Board as to the impact of the Safety Strategic Actions, Mr Farrer highlighted positive progress, including completion of the H&S team restructure. A risk-based prioritised action plan has been developed following a review of existing arrangements for managing contractors and this will now be agreed with key stakeholders. Mr Farrer noted that development of the H&S Information System will continue during the COVID-19 restrictions, but key stakeholder engagement workshops have been postponed and go-live dates will be reviewed when restrictions are relaxed.

The 2020/21 rolling BAU Occupational Health Surveillance programme which was due to commence in May 2020 has been reviewed as a result of COVID-19 and a revised programme has been agreed with Scottish Water's occupational health provider, involving remote assessments for the next three to six months. Face-to-face assessments will recommence when restrictions are relaxed. In response to a query from the Board, Mr Farrer confirmed that employees who are self-isolating are included within the total absence numbers. He agreed to confirm with the People Directorate whether self-isolation is recorded in the sickness absence figures.

Action 2 - Mr P Farrer

In response to a query from the Board in relation to Scottish Water's approach to health and safety in light of COVID-19, Mr Farrer explained that working practices are being adapted and additional mitigations implemented. In particular, Scottish Water has assessed the guidelines in relation to the potential risk of COVID-19 transmission through wastewater. He noted that the risk is low but a precautionary approach has been adopted, with appropriate personal protective equipment (PPE) utilised for higher risk activities associated with aerosols. Further to a question from the Board, he confirmed that there have been no suspected or confirmed cases of COVID-19 among those engaged in essential operations and maintenance arising from our activities. The Board noted the heightened risk awareness at present and queried the measures being taken by Scottish Water to address potential risk normalisation and fatigue. Mr Farrer advised that the importance of measures such as PPE and social distancing is continually reinforced through both line management and corporate communications, with a clear focus on wellbeing. He noted good morale, which is reflected in the relatively low increase in the absence rate, compared to usual levels. The Board agreed that it will be crucial to ensure continued focus, particularly in the event of a relaxation in the current restrictions.

Paper 43/20 noted.

5. CEO REPORT – PAAG INCLUDING COVID-19 UPDATE

Mr Millican highlighted the key issues arising out of the report. He updated the Board on the state of Scottish Water's COVID-19 incident and major developments since the comprehensive report provided to the Board at its meeting on 1st April 2020. He noted that Scottish Water's absolute priority remains to deliver water and wastewater services to all customers across Scotland in a way that minimises the risk of catching or spreading the virus. He confirmed that, overall, the operational situation is stable and there are no new issues of concern. The overall financial consequences for Scottish Water remain highly uncertain. Discussions are ongoing with the Scottish Government and the Water Industry Commission for Scotland (WICS) about what further measures may be appropriate to support business customers. The Board considered the latest position and the potential financial implications for Scottish Water. Further to a query from the Board, Mr Farrer advised that a senior Finance manager is embedded in the Incident Command Team (ICT) to record all COVID-19 associated costs and a tracker is in place to monitor these exceptional costs.

Absence remains low at c.3.8%, which is c.1% above normal levels, and is on a reducing trend, with local team absence ranging from 0% to 9%. There are no areas where absence is affecting service levels. Further to a query from the Board, Mr Millican advised that annual leave is a key area of focus for the People Directorate, with new guidance on the management of annual leave issued to employees and line managers. The use of annual leave and patterns of sickness absence will be continually monitored. In response to a query from the Board as to how employee matters such as grievance and disciplinary processes are being progressed during COVID-19, Mr Farrer explained that a guidance document has now been issued to enable these meetings to take place remotely, allowing cases to progress.

Mr Millican advised that Scottish Water is now starting to plan for the next phase of COVID-19, with a Recovery stream within the ICT assessing the implications of any relaxation of the current lockdown restrictions, particularly in relation to office-based staff. In response to a query from the Board, Mr Millican confirmed that the Recovery stream will consider the practicalities and costs involved in re-opening offices.

Mr Dickson noted that a separate paper was issued on 16th April 2020, updating the Board on the plans to increase current investment activity in line with revised guidance issued by the Scottish Government. He advised that further revised guidance is anticipated this week. Safe working procedures have been developed to enable essential works to proceed with the

appropriate safeguards and Mr Dickson noted that this will impact the time and cost of projects. Scottish Water's top-down assessment of contractor costs arising from suspension of the programme will be subject to ongoing review, to reflect actual costs incurred. Work has now commenced on the bottom-up forecasts and there are various controls in place to capture the time-related cost components. He noted the complexity of assessing the cost impact of new safe working practices. The full impact on productivity is currently unclear, with a range of 10% to 40% based upon indications from the English construction market. Mr Dickson confirmed that this will be measured and monitored closely as sites re-open. The Board queried how Scottish Water will ensure a continuing focus upon productivity, whilst acknowledging the impact of COVID-19. Mr Dickson highlighted the measures currently being considered to improve productivity, including proposals to partition vans and the implementation of shift patterns to maximise the number of operatives.

The Board queried the impact of COVID-19 on the projects relating to Enforcement Notices issued by the Drinking Water Quality Regulator (DWQR). Professor Parsons advised that the programme for the two remaining filters at Turriff Water Treatment Works has re-started following COVID-19 restrictions. The upgrade of the SCADA and telemetry to enable full and effective control of filtration and other processes remains on target to meet the deadline of June 2022. Design work continues to progress well in relation to the BonnyCraig Water Treatment works project, but site investigation works have been suspended in light of COVID-19 restrictions. Professor Parsons noted that he and Mr Dickson review projects due to commence on a weekly basis. Projects involving water quality or which may have a service impact are categorised as priority 1 to restart, subject to a safe method of working being in place.

Mr Millican provided a water resources update, noting the planning work being undertaken, and advised that a specific command within the ICT is considering water resource challenges. He reported positive overall performance, highlighting that the business targets for both household and non-household customer experience were exceeded, achieving the highest-ever scores on both measures. OPA performance for the year also out-performed the target with a score of 401. The Board noted that Scottish Water had a successful year in leakage reduction, out-performing the business target and achieving the lowest ever level of leakage.

Mr Millican advised that, on 14th April 2020, the Scottish Government wrote to the Chief Executives of all public sector organisations covered by the Public Sector Pay Policy (PSPP). The clear expectation in each case is that employers should, as soon as practicable, proceed to implement the basic pay award within this year's PSPP, based on agreement reached between the Cabinet Secretary for Finance and trades unions at a national level. Discussions are ongoing with the trades unions in relation to detailed implementation.

Mrs Campbell provided an update to the Board in respect of the health and safety incident at Prestonpans Pumping Station in June 2017.

Paper 44/20 noted.

[Mr Marnoch left the meeting at 11.45am]

6. FINANCE REPORT

Mr Strathie reported that, to 31st March 2020, regulated profit before tax (PBT) at £134.6m was £32.1m higher than budget and £4m higher than forecast. Sales were £22.5m higher than budget, reflecting total income uncertainty provision releases of £9.3m. Total expenditure was

£3.1m lower than budget and interest was £6.5m below budget. The Board noted an excellent year for Scottish Water. Mr Strathie advised that incident costs, charged against the unallocated opex allowance, totalled £3.8m but include COVID-19 costs of £0.8m and the additional operating costs of £0.6m incurred in respect of the incident at Dunbar Wastewater Treatment Works. Gross capital investment in the year was £673m, £37m lower than budget but £3m higher than forecast and within the forecast range for the full year. The amount billed to household customers in the year was £4.6m higher than budget at £903.2m and cash collected from household customers was £13.2m higher than budget at £881.3m. Mr Strathie noted that the impact of COVID-19 upon household collection rates is being kept under review and is being tracked on a monthly basis. In response to a query from the Board, he confirmed that Scottish Water's Treasury team track monthly forecast cashflows in order to plan any required debt drawdown and cash deposits.

Paper 45/20 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer reported that the in-month household CEM (hCEM) score for March 2020 was 88.42, a decrease from the previous month's score of 88.77. The rolling 12-month and the final year to date (YTD) score increased to 88.01, which is above the Business Target of 87.82 but below the internal Stretch Target of 88.16. Mr Farrer advised that, given the impact of weather-related and operational events in the summer months and in December 2019, the final year-end result represents a positive outcome and further improvement in service to customers. The in-month non-household CEM (nhCEM) score decreased from 87.17 to 84.89, but the final YTD score of 85.19 remains above the Business Target of 82.00 and in the internal Stretch Target of 83.56.

Mr Farrer updated the Board on the changes that have been made in order to maintain service levels throughout the COVID-19 pandemic. He noted that the Customer Engagement Centre (CEC) in Fairmilehead has been fully enabled to work from home since mid-March, maintaining a service level of 99% with almost no abandoned calls. A Customer Service Incident Command Structure was established in early March, with daily review calls to monitor workload, changes in government recommendations and any escalated concerns from customer-facing teams. In response to a query from the Board, Mr Farrer highlighted the improvements in productivity and confirmed that these are being captured by the Transformation team to ensure that they are embedded in procedures going forward. In response to a query from the Board, Mr Farrer confirmed that, due to closure of the offices, postal complaints have not been received since 24th March 2020. A sensitivity analysis has been undertaken and it has been identified that such complaints would have only a marginal impact upon the CEM scores. He confirmed that the Workplace Services team will take steps to recover this mail in order that the complaints can be addressed in due course.

Paper 46/20 noted.