

SCOTTISH WATER BOARD MEETING MINUTES

Date	1st May 2019
Start Time	10:05am
Finish Time	1:00pm
Place	Lauriston Room, Castle House, Dunfermline

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 Paul Smith	Board Member
	Mr James Coyle	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	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 Lironi	Director of Corporate Affairs (Item 8(i) only)
	Mrs Shirley Campbell	Director of People (Item 9 only)

PART I

1. APOLOGIES

Apologies were received from Mr Ken Marnoch, Board Member.

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 27th March 2019
The draft Minutes of the Board meeting held on 27th March 2019 were approved.

Paper 39/19 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 19th March 2019
The draft Minutes of the Remuneration Committee held on 29th March 2019 were noted.

Paper 40/19 noted.

- (iii) Draft Minutes of the Audit Committee Meeting held on 26th March 2019
The draft Minutes of the Audit Committee Meeting held on 26th March 2019 were noted.

Paper 41/19 noted.

- (iv) Draft Minutes of the Audit Committee Meeting held on 1st May 2019
Mr Coyle, Chair of the Audit Committee, provided a verbal report of the meeting held on 1st May 2019.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) both showed an improvement from 2017/18 performance. The overall Scottish Water sickness absence rate was noted as being better than last year, as was the wellbeing training occupancy rate.

Mr Farrer explained the background to and the issues arising from the H & S incidents set out in the report. In particular, he highlighted that a contractor had suffered an injury after dropping a concrete cover on their foot, and that a member of the public had suffered a fractured wrist after tripping over a hose lying across a pedestrian walkway. In relation to the member of the public incident, Mr Farrer expressed the need for a zero hazards approach and the ways that this can be achieved are under review. He explained that, in the event that hazards cannot be eliminated, someone will be present and monitor the hazard at all times. In response to a query from the Board, it was noted that the incident involved an elderly member of the public in a pedestrianised precinct. Mr Farrer also advised that the recent increase in incidents involving members of the public is likely to be due to the business proactively encouraging reporting. In Mr Marnoch's absence, the Chair shared his recent comments in relation to Life Saving Rules, and Mr Farrer confirmed that he had contacted Mr Marnoch with a view to engaging with individuals at Shell on this issue.

Action 1 – Mr P Farrer

Paper 42/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report. He advised that he and the Chair had recently met with the Chair of the Infrastructure Commission for Scotland, and that they will be meeting with the Cabinet Secretary at the end of the month.

Mr Millican provided a water resources update and an update on performance, including household CEM (hCEM) and non-household CEM (nhCEM) scores, drinking water quality and environmental pollution incidents. He reported best ever performance in relation to leakage and good performance in terms of the capital programme.

Mr Millican also highlighted that Scottish Water has been recognised by the Times as one of the top 50 employers for women in the UK. Mr Millican advised that he has circulated a forward programme of events which Board Members are welcome to attend, and he provided an update in relation to arrangements for Board meetings at the end of May and in December 2019.

Paper 43/19 noted.

6. FINANCE REPORT

Mr Scott reported that, to 31st March 2019, profit before tax (PBT) at £119.1m was £20.8m above budget. IT transition costs (£5.7m), Brexit chemical purchases (£1.7m) and receipt of the commercial claim (£13.8m) were included as exceptional items (net £6.4m). Gross capital investment in the year was just under £660m, approximately £40.1m lower than budget but in line with forecast. Opex costs were reported as £7.8m higher than budget and PFI costs were

£3.1m better than budget. The amount billed to household customers was £2.4m higher than budget at £880.2m and cash collected from household customers was £6.1m higher than budget at £859.8m. As regards government borrowing, Mr Scott advised that Scottish Water had borrowed its full allowance, with reduced net new loans from the government of £165.3m as a result of the budgeted net new loans of £210m less the external bank loans balance with the Aberdeen PFI companies acquired in December (£44.7m). Mr Scott also reported on the draft consolidated results.

Paper 44/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer reported that the in-month household CEM (hCEM) score for March 2019 was 87.91 and the year to date (YTD) score had increased to 87.54 which is above Scottish Water's year-end target of 87.17. The Customer Experience Score in March increased significantly to 94.07% leading to an increase in the year-end result to 92.32%. The in-month non-household CEM (nhCEM) decreased from 84.65 to 82.90, however, the YTD score increased to 81.74 and remains well above the business target of 79.19. The hCEM and nhCEM scores represent a significant achievement for Scottish Water and its customers. Mr Farrer explained that LP satisfaction levels showed an increase from 93.33% in February to 95.60% in March with the YTD score increasing from 90.42% to 90.82%. Satisfaction in the Developer Operations Survey decreased from February to March but the YTD increased from 64.13% to 64.56%. In response to a query from the Board regarding measures, Mr Farrer advised that behaviours and the reasons behind what has dissatisfied customers is explored, and in turn Scottish Water tries to change the behaviours of individuals and teams within the business.

Paper 45/19 noted.