

SCOTTISH WATER BOARD MEETING MINUTES

Date	29th May 2019
Start Time	9.50am
Finish Time	1.30pm
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	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 Kes Juskowiak	Water Ops General Manager (Item 12(iii) only)
	Mr Alan Scott	Water Service Strategy General Manager (Item 12(iii) 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 1st May 2019
The draft Minutes of the Board meeting held on 1st May 2019 were approved.

Paper 52/19 approved.

- (ii) Draft Minutes of the Special Audit Committee Meeting held on 1st May 2019
The draft Minutes of the Special Audit Committee meeting held on 1st May 2019 were noted.

Paper 53/19 noted.

- (iii) Draft Minutes of the Audit Committee Meeting held on 22nd May 2019
Mr Coyle, Chair of the Audit Committee, provided a verbal report of the meeting held on 22nd May 2019.
- (iv) Draft Minutes of the Remuneration Committee Meeting held on 23rd May 2019
Mrs Barber, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 23rd May 2019.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that there has been one Notifiable Incident in the month at Inverurie WTW. He noted that there have been no Lost Time Accidents (LTAs) or High Potential for Injury (HPI) incidents. He explained the background to and the issues arising from the H&S incidents set out in the report. He highlighted that following a Director led review, a team is being put in place to check buildings on non-operational assets and identify the scale of the risk these pose to Scottish Water. In response to a query from the Board, Mr Farrer noted that the remit may need to be wider than just buildings and to look at, for example, paths with potholes and gates with springs. Mr Farrer highlighted that, overall, Scottish Water's sickness absence rate is on an improving trend at 2.66%, as is the Wellbeing Training Occupancy Rate at 81.8%. It was noted that the percentage of physio referrals to assessment within three days was down in the month to 89.6% but that figure was expected to improve over time. Mr Farrer highlighted that mental health training had been carried out and that uptake for the Global Corporate Challenge was significantly down from last year and that they will look to do something different for next year. It was noted that the percentage of incidents of absences attributable to mental health issues was also down from last year. The Board noted that strategic action is in progress regarding safety, and queried how success would be measured in the context of low rates meaning that it is harder to ensure that the right controls are in place. Following discussion, it was noted that a sub-group could be convened to investigate this.

Paper 54/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, and expressed his thanks to the Board Members who attended the recent SWOne Events. Mr Millican highlighted that on 14th May 2019, Scottish Water's fifth Developer Forum was held in Crieff and he felt that good progress was made. He advised that on 30th May 2019 the Chair and Mr Millican will meet Roseanna Cunningham, Cabinet Secretary for Environment, Climate Change and Land Reform to discuss progress with the Strategic Review of Charges 2021 – 2027. Mr Millican also noted that the official opening of Tullich WTW near Oban scheduled for 31st May 2019 has been postponed.

Mr Millican provided an overview of performance, highlighting that water quality compliance for the first four months of 2019 was 99.933% and that to April 2019 there was only one cryptosporidium detection compared to nineteen last year.

Paper 55/19 noted.

6. FINANCE REPORT

Mr Scott reported that, to 30th April 2019, regulated profit before tax (PBT) at £10.2m was £0.5m higher than budget. Sales were £0.1m higher than budget, with total expenditure £0.2m lower than budget and interest £0.1m below budget. Gross capital investment to April was £51.0m, £5.6m lower than budget, but within the budget range. The amount billed to household customers was £1.6m higher than budget at £906.5m and cash collected from household customers was £1.2m higher than budget at £62.9m.

Mr Scott suggested and agreed with the Board that results for Scottish Water Horizons Limited will now be reported quarterly as will the results of the North East Scotland PFI companies. In response to a query from the Board regarding accounting issues surrounding the Aberdeen PFI companies, Mr Scott confirmed that this is restricted to the calculation of the FRS onerous contracting provision in Scottish Water Services (Grampian) Limited and that he will review the final statutory accounts shortly.

Paper 56/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the 2019/20 target for the household CEM (hCEM) was calculated as a 5% reduction in lost points on the 2018/19 forecast, meaning a year-end target of 87.82. The 2019/20 target for the non-household CEM (nhCEM) was calculated as a 10% reduction in lost points on the 2018/19 forecast, meaning a year-end target of 82.00. He advised that when targets were set in December 2018, the level of CEM outperformance achieved in 2018-19 was not anticipated, therefore an additional internal stretch target has been established to continue to drive increased performance for both hCEM (88.16) and nhCEM (83.56).

The in-month hCEM score for April was 88.89, an increase from the previous month's score of 87.91. The YTD score sits at 88.89, above the business target of 87.82 and the new additional internal stretch target of 88.16. This was largely due to a reduction of 3454 service issue contacts from last month and improvements in the no experience/no contact area. The in-month nhCEM score for April 2019 was 87.21, an increase from the previous month's score of 82.90. The YTD score sits at 87.21, significantly above the business target of 82.00 and the additional internal stretch target of 83.56. This is largely due to a reduction in complaints, down from 15 last month to just 4 in April. It was noted that the topic of the month is Developer Services Improvement Activities which is about getting good systems in place such as Project Astro. The Board discussed the time period from design to implementation and the involvement of Developers in this process.

Paper 57/19 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 22nd May 2019.

Paper 58/19 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 22nd May 2019. 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 any minor changes to the Overview document that may be required in the finalisation of the Annual Return.

Paper 59/19 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 22nd May 2019.

Mr Scott highlighted that the consolidated Scottish Water surplus before tax presented to the Board on 1st May 2019 was £119.1m and after adjustments due to consolidation of subsidiaries and IFRS adjustments, the surplus before tax per the financial statements is £86.1m. He noted that it was just under £72m last year. Mr Scott highlighted that issues regarding the treatment and disclosure of matters regarding risk have been considered in detail, with the associated provisions being a matter of judgement. As regards KPMG's report to Audit Scotland, it is noted that Scottish Water accepts the recommendations and that additional wording has been included following discussions at Audit Committee on 22nd May 2019. The Board also considered how matters regarding Project Argyll had been dealt with in the report and had no issues with these.

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.

Paper 60/19 approved.