

SCOTTISH WATER
Minutes of the Board Meeting
10:00am, 22nd February 2006

Lauriston Room, Castle House, Dunfermline

Present:	Dr Jon Hargreaves	CEO
	Mr David Gray	Board Member – Chair of Meeting
	Mr Graeme Crombie	Board Member
	Professor Paul Jowitt	Board Member
	Mrs Rita Theil	Board Member
	Mr Ian McMillan	Board Member
	Mr Geoff Aitkenhead	Asset Management Director
	Mr Douglas Millican	Finance Director
	Mr Chris Banks	Commercial Director
	Mrs Cheryl Black	Customer Service Director
In attendance:	Mr Mark Adderley	HR& Business Services Director
	Mr Tom Axford	Head of Legal and Corporate Secretary

PART I

1. APPOINTMENT OF CHAIR

The Board noted with regret the resignation of Professor Alan Alexander on Monday 20th February as Chair of Scottish Water. The Board noted the immense contribution made to the Scottish Water Industry by Professor Alexander over the last eight years and requested the Corporate Secretary to write a letter on behalf of the Board expressing the members appreciation and thanks to Professor Alexander. It was agreed for the purposes of conducting the meeting this morning David Gray would chair the meeting. It was noted the location of the meeting had been changed from Dumfries to Castle House.

2. APOLOGIES

Apologies were received from Pat Kelly and Bill Cameron.

3. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required registration or declaration.

4. MINUTES (Part I)

The draft Minutes of the Board meeting held on 25th January 2006 were approved.

The draft Minutes of the Audit Committee and Remuneration Committee meetings held on 7th February 2006 were tabled and noted.

5. CEO REPORT

Dr Hargreaves requested that the report be taken as read. The Board considered the following items arising out of the report:-

- (i) WWTP Target
The Board noted that there was a high level of confidence that the target of 45 would be achieved but it was highly unlikely that the stretch target of 35 would be achieved.
- (ii) Awards
The Board noted that Scottish Water HR were the winners of the 2006 ASA HR Excellence Awards and noted the CEO was awarded the Public Sector of Year Director of the Year and overall runner up of the overall Director of the Year in Scotland. The Board expressed its congratulations to both the HR team and to Jon for these achievements. The Board noted that Scottish Water was achieving a substantial number of awards and as these were piece meal they were not necessarily being recorded effectively. It was agreed it would be appropriate to prepare an annual summary of awards and that consideration be given to include these within the Annual Report.

Action 1- C Black
- (iii) Restructuring
The Board carefully considered whether it was appropriate to proceed with restructuring at this time in light of the impending appointment of a new interim Chair. It was agreed after discussion it was appropriate to continue with the restructure due to the perceived impact that failure to proceed at this time could have on longer term business objectives.
- (iv) PAAG
A new PAAG form was circulated to members including data which had not been available when the previous form had been prepared
- (v) Stonehaven
The Board noted the successful outcome of the Stonehaven Planning Appeal. The Board noted expenses had been awarded and considered whether it would be appropriate to seek to enforce these expenses. The Board noted that in this instance expenses had been awarded on the basis that Scottish Water had been put to unnecessary expense. It was agreed in light of duties on Scottish Water to recover funds expenses should be pursued in this instance and that the rationale should be carefully explained to the planning authority. The Board noted the PPP contractor was not under an obligation to accept the Stonehaven flows and that negotiations were ongoing in relation to agreement for this to take place.

Paper 19/06 noted

6. FINANCE REPORT

Mr Millican reported there were no changes to the previous trends reported to the Board previously. The Board noted the capital expenditure outturn was expected to be in the £620/£630m figure which was slightly below budget. The Board noted the material progress in reduction of customer service aged debt and that household billing and collection were better than budget. The Board questioned how the debt management strategy could be

further improved and noted there was a strategic action to explain to SME customers the benefit of payment by Direct Debit. In addition a number of cases were now proceedings through court proceedings.

Paper 20/06 noted.

7. HEALTH AND SAFETY REPORT

Mr Adderley reported continued significant reduction in reportable accidents (40%) and a 20% reduction in associated days lost. In relation to Buckstone Grove, the Board considered the report carefully with concern and questioned what actions were being taken to address this action. Mr Adderley reported Scottish Water were currently working with HSE and SGN. The Board agreed it would be appropriate to request Mr Aitkenhead / Mr Adderley to draw up a plan involving HSE and SGN for a sample audit to ascertain the extent of the issue across Scotland and to report back to the Board in due course.

Action 2 – G Aitkenhead / M Adderley

In relation to the Hatton A92 Junction update the Board expressed its concern in relation to the delay in resolving this issue and requested that further pressure be applied on Angus Council.

The Board questioned what the impact of the Transport (Scotland) Act would be on Scottish Water. Mr Aitkenhead confirmed this issue was being considered and a further report would come to the Board in relation to the implications of the act and what mitigating actions Scottish Water would take to reduce the financial impact and burden arising therefrom.

Action 3 – G Aitkenhead

Paper 21/06 noted.

8. CUSTOMER MARKETING

Mrs Black provided a presentation setting out in detail the branding initiatives being undertaken by Scottish Water. The Board noted the “clear” branding and commended its clarity. The Board questioned whether business fragmentation could result in a “messy brand style” and Mrs Black agreed that this was a concern and reported that SW was looking at developing guidance in this area.

Paper 22/06 noted.

9. NEXT MEETING

The next meeting of the Board would be held on 22nd March 2006 at Castle House, Dunfermline