

SCOTTISH WATER

Minutes of the Board Meeting

09:00 hours, 23rd March 2005

History Room, Stirling Highland Hotel, Stirling

Present:	Professor Alan Alexander	Chair
	Dr Jon Hargreaves	CEO
	Mr Bill Cameron	Board Member
	Mr David Gray	Board Member
	Mr Graeme Crombie	Board Member
	Mr Pat Kelly	Board Member
	Professor Paul Jowitt	Board Member
	Mr Ian McMillan	Board Member
	Mrs Rita Theil	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
	Mr Peter Cook	General Manager – Property and Facilities (<i>Item 6 only</i>)

PART I

1. APOLOGIES

No apologies were received

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Professor Alexander declared an interest in the Loch Katrine Trust Paper as a prospective Trustee for the proposed Trust to be established. It was agreed he would not contribute to discussion on item 7 and that Ian McMillan would Chair the discussion in relation to this issue. The Board congratulated Professor Paul Jowitt on his appointment as a Fellow of the Royal Society of Edinburgh. The Chair advised members that a decision was still awaited from the Scottish Ministers in relation to the appointment of the Chair with effect from 1st April 2005 and reappointment of all members whose appointments lapsed on that date.

3. MINUTES (Part I)

The draft Minutes of the meeting held on 23rd February 2005 were approved

The draft Minutes of the Remuneration Committee meetings held on 16th February 2005 and 8th March 2005 were noted.

4. CEO REPORT

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

(i) Lairg WTW

The Board noted the high level of aluminium was caused by soda ash, used to adjust PH levels, failing to dissolve in water due to freezing solutions. It was noted in this instance this was a process fault. The Board noted that this was not a widespread problem and that a number of treatment works measures were in place to address this scenario.

(ii) Edinburgh Water Supply: Water Quality Issues (colour)

The Board expressed its concern regarding ongoing issues in relation to Raw Water Quality at Alnwickhill WTW. The Board agreed notwithstanding the ongoing challenge by the WIC in relation to the proposed interim solution on economic grounds that the recommendations to issue the formal undertaking to DWQR and approve a budget for £3m for the installation of an activated carbon layer in four of the slow sand filters Alnwickhill WTW be implemented. The Board expressed concern that in a number of areas the regulatory decision making process was impacting on Scottish Water's flexibility to respond to diverse and complex issues as they arose and effectively manage legal and business risks.

Paper 25/05 noted.

5. FINANCE REPORT

Mr Millican requested the Board to note the improving situation in relation to aged debt and explained that more accurate billing was leading to more effective debt cycle management. In the past lack of confidence in the billing data had inhibited chasing of outstanding debt. The Board noted the £2.6m additional cost that had arisen from the weather incidents in August 2004 and January 2005.

Paper 26/05 noted.

6. LOCH KATRINE TRUST

Mr McMillan chaired discussion on the issue. After consideration the Board noted that while the proposed activities involved a level of retention of risk by Scottish Water for a two year period the extent of risk had been capped and the period would allow both the Trust and Scottish Water to evaluate the full risks in relation to the long term operation of SS Sir Walter Scott. The Board noted that there were related party issues for Professor Alexander and Mr Banks who would have involvement with the Trust and it was requested that clarity be sought regarding the financial treatment of this issue. The Board granted approval for the execution of all necessary documentation pursuant to the recommendation in the paper.

Paper 27/05 approved.

7. HEALTH AND SAFETY REPORT

Mr Adderley introduced the paper. The Board noted the behavioural safety programme had been successful and that two non-executive Directors had attended the one day sessions and they had commented that the “mind your backs” presentation was viewed as being very effective.

Paper 28/05 approved.

8. CUSTOMER SERVICE REPORT

Paper 29/05 noted.

9. PENSION CONSULTATION (RESPONSE)

The Board noted that the draft response had been reviewed by both the Scottish Water Council and the Remuneration Committee. It was also noted that due to the withdrawal of the proposals to amend the LGPS scheme in England and Wales and establishment of a Commission to review the wider issues of Pension Reform that the way forward in relation to pensions remained unclear. However until any further information was available the Board agreed to submit the response as drafted.

10. NEXT MEETING

Wednesday 4th May 2005 at Castle House, Dunfermline