

SCOTTISH WATER

Minutes of the Board Meeting

9:30 hours, 26th January 2005

Lauriston Room, Castle House, Dunfermline

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
	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	Business Services Director
	Mr Paul Pagliari	Human Resources Director
	Mr Tom Axford	Head of Legal and Corporate Secretary

PART I

1. APOLOGIES

Apologies were received from Mrs Rita Theil and Professor Paul Jowitt.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

The members had no interests to declare or register.

3. MINUTES (Part I)

The draft Minutes of the meeting held on 1st December 2004 were approved subject to the following modification:-

In relation to Item 7 – Board Effectiveness. Point 2 was deleted with the following substituted therefore :-

“There may now be a need to further consider time management at Board meetings in order to more effectively allocate the limited time available possibly by identifying clearly those items intended principally for information and in respect of which discussion will depend upon prior notification to the Chair.”

The draft Minutes of the Audit Committee held on 16th November 2004 were noted. These had been considered at the 1st December 2004 meeting.

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) Severe Storms and Resultant Power Loss

The Board noted the considerable efforts of employees involved in maintaining water supplies during and immediately following the adverse weather conditions incurred between 10th -12th January. The Board considered it might be appropriate to write to those employees praising them for their efforts during a very difficult period. The Board had requested an incident analysis report in relation to the issues arising from the adverse weather conditions of 10th-12th January similar to the report submitted to the Board in relation to the August incident.

Action 1 – G Aitkenhead

(ii) Scottish Power

The Board considered the implications of the recent Court ruling that waste derived fuel was “waste” under the Waste Incineration Directive. The position was noted and it was agreed that Scottish Water should continue to support Scottish Power in exploring legal options and practicable alternatives for handling the treated sludge.

(iii) Sewerage Nuisance

The Board expressed concern regarding the lack of detail of the implications arising from the proposed legislation to deal with odour nuisance. It was noted that the requirements were likely to have a material impact in terms of operational and investment costs but until the Code of Practice was in place and the position of enforcing authorities became clear it was difficult to quantify these.

(iv) Dalmarnock Waste Water Treatment Works

The Board noted that it had subsequently appeared that fortunately the injuries obtained by individuals were not as serious as had been thought when the CEO report was prepared.

(v) Asian Crisis

The Board noted the considerable efforts of a number of staff within Scottish Water to provide support following the Tsunami disaster. The CEO was requested to write a letter to Douglas Smith and other key staff who had worked so hard in responding so quickly in relation to this matter.

Action 2 – J Hargreaves

(vi) Prosecutions

The Board noted with concern the substantial number of prosecutions under COPA being brought forward. It was noted that SEPA had indicated that they had not changed their policy in this regard but were becoming more efficient at notifying the Procurator Fiscal and preparing cases. The Board also noted the ongoing strategies to address the operational failures that were giving rise to prosecutions and considered the position in relation to defending cases where appropriate.

Paper 03/05 noted.

5. FINANCE REPORT

Mr Millican reported that core opex remained on target and that considerable benefit was being achieved from appeals against valuation for rating purposes which had been brought forward. The Board noted that the capital investment programme retained within SW was for smaller jobs which were less complex in relation to planning or land requirements.

The Board noted that the level of customer debt was being reduced and that the unitary Councils were demonstrating strong performance in collecting domestic debt. It was noted that twenty SLA's for the 2005/06 financial year had been agreed already with a further twelve to be agreed. The Board noted that the Self Lay Policy for new connections was now being taken up by developers. It also noted that whilst the work historically carried out by Scottish Water Contracting for new connections was decreasing significantly Scottish Water Contracting was still involved particularly where Legacy Agreements with developers were to be completed. The Board was pleased that Scottish Water Contracting was winning work directly from developers in the open market.

The Board approved the revised trading forecast for 2004/05.

Paper 04/05 noted.

6. HEALTH & SAFETY REPORT

Mr Pagliari requested the paper be taken as read. The Board reviewed the following issues arising from the paper:-

(i) Q&S III

The Board questioned whether appropriate funding for health and safety was available through the Q&S III process. It was noted Ministerial priorities would determine spending across Scottish Water including this area and that the work of the water industry objectives group indicated that some funding would be made available to address Health and Safety issues. There remained a concern however, whether HSE policies and practices may require additional work beyond that currently funded.

(iii) Vehicle Inspectorate

The Board noted with concern ongoing issues in relation to fleet management particular maintenance failures which had given rise to a recent prosecution. The Board were advised that action was being taken in relation to the maintenance contract and also staff were being advised in strong terms that disciplinary action would be taken where they were not adequately implementing appropriate procedures for checking vehicles. The Board noted that while there was an internal programme of toolbox talks and audit it considered SW should consider appointing external auditors to review operational performance in this area.

Action 3 - C Banks

(iv) Absence Management

The Board noted that a small number of individuals were responsible for a considerable proportion of the total recorded absence. It was noted that case management procedures had been introduced for all absences and Scottish Water was working closely with Operational Health to effectively manage long-term absence by considering, where appropriate, other duties for staff.

Paper 05/05 noted.

7. ADVERSE WEATHER IN AUGUST 2004

Mr Aitkenhead introduced the paper. The Board noted the severe impact as set out in the report and the issues going forward in relation to managing performance of treatment works, cost and risk issues. In particular the Board noted the immediate actions highlighted on page 14 of the report including where appropriate, considering the use of increased storage. The Board noted the report set out the seriousness of the issues that had arisen and agreed an unknown factor was the likely frequency of occurrence of incidents of these types.

Paper 06/05 noted.

8. CORPORATE SOCIAL RESPONSIBILITY

The Board considered the paper and agreed actions in this area that effectively CSR was an extension of Scottish Water's responsibility in relation to sustainable development. The Board noted specific actions that were being taken to address CS responsibilities eg. providing amenity landscaping following completion of a project, Tsunami relief provision. It was agreed it would be appropriate to produce a combined CSR/Sustainability Report in the Annual Report and Accounts.

Paper 07/05 approved.

9. NEXT MEETING

Wednesday 23rd February 2005 at Castle House, Dunfermline