

## SCOTTISH WATER

Minutes of the Board Meeting  
9:00am, 24<sup>th</sup> August 2005

Lauriston Room, Castle House, Dunfermline

<b>Present:</b>	Professor Alan Alexander	Chair
	Dr Jon Hargreaves	CEO
	Mr Bill Cameron	Board Member
	Mr David Gray	Board Member
	Mr Graeme Crombie	Board Member ( <i>from 9:45am</i> )
	Professor Paul Jowitt	Board Member
	Mr Pat Kelly	Board Member ( <i>from 9:45am</i> )
	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
<b>In attendance:</b>	Mr Mark Adderley	HR& Business Services Director
	Mr Tom Axford	Head of Legal and Corporate Secretary

### PART I

#### 1. APOLOGIES

Apologies were received from Mrs Rita Theil.

#### 2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required registration or declaration.

#### 3. MINUTES (Part I)

The draft Minutes of the meeting held on 29th June 2005 were approved.

The draft Minutes of the special meeting held on 19<sup>th</sup> July 2005 were approved.

#### 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) WWTP Compliance  
The Board noted it was to be anticipated agreement would be reached shortly with SEPA regarding the number of failing works.

- (ii) Fife Incidents  
The Board indicated that a number of issues appear to arise from the handling of the recent incidents in Fife. Mr Aitkenhead confirmed a formal incident report was being prepared looking at the underlying issues and would be reported to the next Board.
- Action 1 – G Aitkenhead**
- (iii) Black Isle Incident  
Dr Hargreaves reported that over the weekend the trunk main to the south of the Black Isle had burst in mud flats which were affected by tide and it had therefore been difficult to repair the main. Due to the fact that 190 km of the trunk main required to be refilled with water including many service reservoirs a number of customers had been out of supply for a period of up to forty eight hours. He indicated an internal inquiry report would be completed by 16<sup>th</sup> September.
- (iv) Customer Service  
The Board had expressed a concern at the large peak numbers of calls which had arisen during the period between 9<sup>th</sup> and 13<sup>th</sup> July when the calls increased to a peak of 9000 per day. The Board noted the underlying issues arose from small water quality incidents and a substantial amount of vandalism to fire hydrants in the Glasgow area. The Board noted that in light of the level of calls it was unlikely that the KPI for Customer Service would be met. The Board noted that a number of issues were being addressed including ensuring that the recorded messages provided accurate information and did not underestimate the time taken to rectify repairs leading to repeat customer calls after an earlier deadline had not been achieved.
- (v) Aluminium Sulphate Purchase  
The Board noted the item was reported to the Board as a multi-year option contract and that formal Board consent was not required. Mr Banks explained that the proposed long term relationship would benefit both Scottish Water and the supplier and that Scottish Water was looking at a number of joint purchasing initiatives and a more effective analysis of the susceptibility of commodities supply to pricing pressures or supply constraints.
- (vi) Waterwise  
Dr Hargreaves reported Waterwise had established a mutual company limited by guarantee whose purpose was to demonstrate the Water Industry's commitment to sustainability, water use reduction and affordability. It was noted that Scottish Water had a separate initiative with the Scottish Executive in relation to water conservation for commercial customers. The Board supported the proposal for Scottish Water to become a member of the company involving a contribution of £7000 and noted the effectiveness of the company would be reviewed after six months with Scottish Water having an option to withdraw from the company at that time. Mr Axford was requested to ascertain whether Scottish Executive approval was required.

**Action 2 – T Axford**

Paper 73/05 noted

## 5. FINANCE REPORT

Mr Millican reported that opex was in line with budget and there was more confidence that the full year target would be achieved. The Board noted the aged debt profile was moving in the right direction and household debt recovery was ahead of budget. The Board questioned whether further flexible charging options could be introduced to assist in debt recovery and it was agreed that this issue would be discussed by the Commercial Committee.

**Action 3 – C Black**

The Board noted the current headcount was lower than expected, this was due to staff leaving earlier than expected and natural wastage. The Board noted in relation to the capex profile that the year end forecasts were becoming clearer and this would enable the borrowing profile to be reduced to a lower level. The Board noted that moving £80m of borrowing to the next year did not result in an exposure to Scottish Water. Mr Millican reported that it was expected Audit Scotland would issue a report on Scottish Water by mid October or possibly the end of September and information on a number of areas had been provided to Audit Scotland to facilitate preparation of the report.

Paper 74/05 noted.

## 6. HEALTH AND SAFETY REPORT

Mr Adderley requested the Board to note the reduction in reportable accidents. The Board focused on the continuing issue in relation to PG9's and the necessity of protecting the O'Licence. The Board stressed that it was unclear as to what proportion of the problem rested on non-compliance with procedures, maintenance practices and condition of vehicles. The Board received a commitment that where appropriate disciplinary procedures were being utilised in a fair and appropriate way and only where effective evidence of non compliance with procedures was obtained. The Board expressed concern in relation to the ongoing replacement cycle and requested a note for the 2<sup>nd</sup> November Board on the condition of the existing fleet the appropriate replacement cycle, progress on delivering on behavioural issues and effectiveness of maintenance procedures.

**Action 4 – C Banks**

The Board noted an increase in the number of utility strikes and it was explained that this was due to the work profile being increased in urban areas. The Board were advised disciplinary action was taken when appropriate where procedures had not been followed.

Paper 75/05 approved.

## 7. NEXT MEETING

Tuesday 21<sup>st</sup> September 2005 at Inverness (venue to be confirmed).