
SCOTTISH WATER

Minutes of the Board Meeting
8:30am, Wednesday 27th September 2006

Isle of Skye Hotel, Perth

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

PART I

1. APOLOGIES

There were no apologies as all members were present.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required declaration or registration.

3. MINUTES (Part I)

- (i) Draft Minutes of the Board meeting held on 23rd August 2006
The draft Minutes of the Board meeting held on 23rd August 2006 were approved.
The Board noted a number of actions were picked up within the papers and specifically commented on the following actions:-

Action 1	Implemented
Action 2	(Committee Structure) - Two members who were not present at the last meeting requested that the draft Terms of Reference for the proposed Special Committee be circulated to them. The Board agreed that while at this stage Terms of Reference would be finalised the Committee would only be formally constituted and established at the first time a matter was referred to it. Mr Axford was requested to finalise the Terms of Reference after discussion with David Gray and Professor Paul Jowitt.
Action 3	(Clarity of Purpose/Stakeholder Workshop) – This action was continued.

Action 1- Chair

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- Action 4** (Data and Information Management) – continued to next meeting
Action 2 – G Aitkenhead
- Action 5** Implemented or addressed in substantive papers

- (ii) Draft Audit Committee Minutes of meeting held on 8th September 2006
The draft Minutes of the Audit Committee meeting held on 8th September 2006 were noted.

4. CEO REPORT - PAAG

Dr Hargreaves highlighted the key issues arising from the report. The Board considered the following issues.

- (i) Water Quality
A member of the Board was aware of potential water quality issues at Kirknewton where Scottish Water had been unable to bring a new supply into commission because of difficulties with an Electricity Wayleave. He was concerned reputation issues were involved and requested Mr Axford to raise this issue with the Reputational Steering Group.
Action 3 – T Axford
- (ii) Directors/Staff Remuneration
It was anticipated the employees remuneration package should be approved shortly as the proposals appeared to have been accepted by the internal SE Committee which recommended acceptance to Ministers. Unfortunately there was still no substantive progress in relation to Director's remuneration.
- (iii) Development Constraints Update
The Board noted there had been more positive media coverage but discussions were ongoing in relation to particular sites and specific issues and in particular the provision of services to single site plots in the highlands. Scottish Water remained of the view that another governmental body such as HIE had to be an enabling developer where infrastructure was being provided ahead of development being in place. The Board noted that at the Consultative meeting the issue of developer contributions to part 3's had not been raised as a material issue
- (iv) Leakage
A typographical error in the report was noted that "generating" should read simply "investigating". The Board noted the utilisation of external resource was very cost effective and productive in leakage detection and repair work
- (v) Seafeld WWTP
The Board requested an update in relation to the Seafeld WWTP issue. It was reported City of Edinburgh Council had been monitoring the site over the last few weeks and that even in July during a period of extreme hot weather a very limited number of incidents had been recorded. The Board noted the proposed structural reorganisation within Thames Water and considered there was unlikely to be a material impact on the Seafeld PPP project.

Paper 100/06 noted

5. FINANCE REPORT

Mr Millican reported that generally performance was tracking in line with forecast and that the opex performance was good despite a short term adverse cost impact from retaining IT staff in-house. The Board noted the non regulated loss was primarily due to SWC and reiterated the need to demonstrate that non-core activities were self financing. The Board noted the strong performance in billing generally but questioned performance in relation to improving secondary income. The Board were advised that a new Manager had been appointed to address this. The Board questioned how work done by SWC for SW was treated and it was confirmed that work done for the core programme was capitalised and treated as a core function. The Board questioned whether it was expected there would be any adverse impact from the ongoing transfer pricing audit and Mr Millican indicated that current forecasting took account of any potential adverse impact in this regard. Mr Millican advised that a new Head of Internal Audit had been appointed following an interview process where three strong candidates were interviewed. The successful candidate was Andrew Jarvie who had been with Scottish Widows and appropriate references had been received. Scottish Widows had moved their audit function to London and Mr Jarvie did not want to move South.

Paper 101/06 approved.

6. HEALTH & SAFETY REPORT

The Board noted that the days lost figure was down if one long term absence was excluded being a person who now absent with a secondary illness. The Board noted that working with the FOILE HSE Programme positive and that Scottish Water was fully considering within the two month period that had been given to respond to address issues raised by the HSE following their sample audit. The Board noted that the Ministerial Direction proposed that by 31st March 2007 (not 31st March 2006 as stated in the report) Scottish Water would secure compliance with all existing and known health and safety legislation. The Board noted and agreed that to address this issue it would be appropriate to ensure that by that date all necessary funding to achieve compliance had been in place and a planned programme was in place to secure compliance. It was noted it was not possible to physically implement all the necessary control measures in this time frame.

Paper 102/06 noted.

7. CUSTOMER SERVICE DIRECTOR'S REPORT

Mrs Black provided a report indicating the strong performance in relation to improving the customer experience arising from interface with Scottish Water. The Board noted that levels of satisfaction now reflected levels of satisfaction generally within utility providers but that a number of areas had been specifically targeted for continued improvement namely circulating information around the business eg. work was carried out expeditiously but the result of that was not fed back quickly from the operational employee to the contact centre. Other issues that were being address were issues around "accuracy of information" and "what happens next" where work was ongoing to be more proactive in providing more accurate information forecasts to customers. It was noted that 85% of customers were satisfied following a visit by Scottish Water staff. The Board noted that an element of the employee bonus depended on the customer overall satisfaction figure. Mrs Black reported a critical issue was sustaining improvements long term and ensuring that where increased targets had been recently introduced eg. responding to chokes that performance was maintained in delivering these. The Board thanked Mrs Black for the presentation and noted strong progress in this area.

8. NEXT MEETING

The next meeting of the Board would be held on 1st November 2006 at Lauriston Room,
Castle House, Dunfermline