
SCOTTISH WATER

**Minutes of the Board Meeting
9:30am, Wednesday 26th September 2007**

Glenmorison Hotel, Inverness

Present:	Mr Ronnie Mercer	Chair
	Dr Jon Hargreaves	CEO (<i>except Item 9(i)</i>)
	Mr Graeme Crombie	Board Member
	Mr Ian McMillan	Board Member
	Mr Pat Kelly	Board Member
	Professor Paul Jowitt	Board Member
	Mr Douglas Millican	Finance and Regulation Director
	Mr Geoff Aitkenhead	Asset Management Director (<i>except Item 9(i)</i>)
	Mr Chris Banks	Commercial Director (<i>except Item 9(i)</i>)
In attendance:	Mr Tom Axford	Corporate Secretary and Head of Legal and Estates
	John Rae	GM – Customer Operations (<i>Items 9(iii) only</i>)

PART I

1. APOLOGIES

Apologies were received from David Gray and Rita Theil. Rita Theil had submitted comments on a number of matters arising in the Agenda and the Chair indicated he would raise the points, as appropriate during the debate on these matters..

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required registration or declaration.

3. MINUTES (Part I)

- (i) Draft Minutes of the Board meeting held on 29th August 2007
The draft Minutes of the Board meeting held on 29th August 2007 were approved.

The following actions were reviewed

Action 1 – Training Statistics – This action was continued to the October Board. The purpose of the request was to analyse the targeted nature of training and for the Board to be comfortable that a strategy was in place to ensure all employees attended relevant and appropriate training

Action 1 – A Walker

Action 2 – Telemetry – in Board papers.

Action 3 – Mr Baty Review – continued to January Board

Action 2 – J Hargreaves

Action 4 – Business Separation – superseded by proposal in paper 112/07

Action 5 – Aberdeen Property Strategy – the Board noted the planning application was in process of being submitted and agreed and no further update in relation to the strategy was required.

Action 6 – Noted.

Action 7 – PFI Projects Strategic Review – Mr Millican updated the Board in relation to the current issues in relation to the Seafield Project.

Action 3 – J Hargreaves

Action 8 – Barnado's Youth Scheme – Mr Mercer reported A Walker was considering appropriate initiatives in providing career paths for disadvantaged youngsters and would report back to the Board.

Action 4 – A Walker

4. HEALTH AND SAFETY REPORT

The Board reviewed the figures for reportable and non-reportable accidents and it was agreed it would be appropriate to include individual monthly details for reportable and non-reportable incidents in addition to the rolling YTD figures.

Action 5 – J Hargreaves

In relation to procedures relating to the management of contractors the Board noted that the proposed new procedures updated existing proposals.

In relation to accident figures the Board questioned the balance across the business and sought further information why the rates were higher in Customer Operations which seemed predominantly to be a more office based operation that SW Contracting which on the face of it appeared to involve a range of construction activities. Dr Hargreaves agreed to report back with further information in the next report.

Action 6 - J Hargreaves

Paper 109/07 noted

5. CEO REPORT

The Board noted the typographical error in the OPA figure where the year to date figure under paragraph 1.3 should be 239 rather than 228. Dr Hargreaves explained the content of the report to the Board and this was noted and approved. The Board reviewed the lessons arising from the Oban WTW incident and it was agreed that the media messages gave the impression that Scottish Water was encouraging people to drink the water whereas the message was although the water was safe to drink it was clear that some people in the circumstances may not wish to drink it and that an alternative supply of bottled water was being supplied to the small number of customers who were affected. The Board expressed concern in relation to the ongoing issue of Cryptosporidium and asked whether the temporary solution at the Filter Plants at Ullapool, Windyfield Rhynie, Langholm and North Ronaldsay, would continue in place until permanent solutions had been agreed with the DWQR and WIC. It was agreed this would be the case. The Board questioned why the PAAG figure in relation to the figure in relation to the percentage of written complaints remained red and the Board were advised that although the position had improved substantially it was considered that the year end position was not recoverable.

Paper 110/07 noted.

(i) Development Constraints

The Board noted the strong progress in relation to the provision of connections but noted upgrading of Part 3 assets continued to be a source of concern for developers especially where they had land banks that they wanted to develop over the long term either alone or as part of a consortium of developers. Dr Hargreaves indicated an

immediate policy was required in relation to the application of funds received through the infrastructure charge and a paper would come forward to the Board in this regard in November. In addition work was ongoing to ascertain whether Scottish Water could take a more proactive role upfront funding infrastructure and recovering the cost through amended reasonable cost contribution (RCC) arrangements. Work was ongoing to develop a proposal in this regard and put this before the Board.

Paper 110-01/07 noted.

(ii) Leakage Update

The Board noted progress and it was explained that a number of challenges and complications existed in meeting the existing leakage target. The Board noted a meeting had taken place with the WIC to discuss the complexity of issues involved. The WIC found the meeting useful and instructive.

Paper 110-02/07 noted.

6. FINANCIAL REPORT

Mr Millican explained to the Board the key issues arising from the Financial Report. The Board indicated that it sought further clarity in relation to reporting of the non-core areas of the business and Mr Millican agreed to look at the format of the report and how greater clarity could be provided in relation to reporting in this area.

Action 7 – D Millican

Paper 111/07 approved.

7. ANY OTHER BUSINESS

(i) Corporate Governance

The Chair indicated that a paper developed by SE had been tabled to the non-executive Directors at their recent meeting with SE. He asked Mr Millican and Mr Axford to review the paper and co-ordinate executive input into the proposals so a unified Board response could be submitted to SE.

Action 8 – D Millican/T Axford

(ii) Board and Committee Meetings for 2008

It was noted the finalised meeting schedule was in the course of being circulated.