

## SCOTTISH WATER BOARD MEETING MINUTES

<b>Date</b>	<b>31<sup>st</sup> January 2024</b>
<b>Start Time</b>	<b>10:35am</b>
<b>Finish Time</b>	<b>1:40pm</b>
<b>Place</b>	<b>Bullionfield Room, Bullion House, Invergowrie, Dundee</b>

<b>Present:</b>	Mrs Deirdre Michie	Chair
	Mr Alex Plant	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Iain Lanaghan	Board Member
	Mrs Catriona Schmolke	Board Member
	Mr Graham Dalton	Board Member
	Mr Steven Dickson	Board Member
	Mr Ken Marnoch	Board Member
	Mr Ian McAulay	Board Member
<b>In attendance:</b>	Mrs Emma Campbell	Group Legal Counsel & Director of Governance and Corporate Secretary
	Mr Brian Strathie	Director of Finance (Item 4(iii) only)
	Mr Rob Mustard	Director of Capital Investment (Items 5(i) & 6(ii) only)
	Mr Paul Sexton	Alliance Management – General Manager (Item 5(i) only)
	Professor Simon Parsons	Director of Environment, Planning & Assurance (Item 6(i) only)
	Mr Mark Williams	Environment Regulation & Climate Change - Manager (Item 6(i) only)
	Mr Bill Nicholls	Health & Safety & Operational Services – General Manager (Item 6(ii) only)
	Ms Kirsty McLaughlin	Waste Water Ops – Manager (Item 6(ii) only)

### PART I

#### 1. APOLOGIES

There were no apologies received.

The Chair welcomed Mr McAulay to his first meeting of the Board.

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

There were no interests which required declaration or registration. There were no matters arising.

#### 3. BOARD MINUTES (Part I)

(i) Draft Minutes of the Board Meeting held on 12<sup>th</sup> December 2023

The draft Minutes of the Board meeting held on 12<sup>th</sup> December 2023 were approved.

**Paper 01/24 approved.**

- (ii) Draft Minutes of the Board Workshop held on 11<sup>th</sup> December 2023  
The draft Minutes of the Board Workshop held on 11<sup>th</sup> December 2023 were approved.

**Paper 02/24 approved.**

- (iii) Draft Minutes of the Remuneration Committee Meeting held on 29<sup>th</sup> November 2023  
The draft Minutes of the Remuneration Committee meeting held on 29<sup>th</sup> November 2023 were noted.

**Paper 03/24 noted.**

- (iii) Draft Minutes of the Audit & Risk Committee Meeting held on 11<sup>th</sup> December 2023  
The draft Minutes of the Audit & Risk Committee meeting held on 11<sup>th</sup> December 2023 were noted.

**Paper 04/24 noted.**

#### **4. MONTHLY / QUARTERLY PERFORMANCE**

- (i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting a slight improvement in the RIDDOR Injury Frequency Rate and Lost Time Frequency Rate (LTFR), but noting the declining trend in respect of contractor incidents. The Board considered the background to and the issues arising from two incidents during November and December 2023 which had been assessed as significant or which offered an opportunity for wider business learning. In response to a query from the Board, Mr Farrer advised that, while dashcams were not installed within Scottish Water fleet vehicles, telemetry data was reviewed following all incidents. Further to a question from the Board regarding the High Potential Incident (HPI) involving Scottish Water's operational alliance contractor, Clancy, Mr Farrer explained that the HPI had been witnessed by a passing employee of Morrison Construction and reported to Scottish Water's Health & Safety team. The individuals involved had been dismissed by Clancy. Following a query from the Board, Mr Farrer confirmed that a safety newsflash had been issued following the incident. The Board discussed the importance of communicating both the technical and behavioural aspects of incidents and encouraging individuals to report and, where appropriate, challenge unsafe actions. Further to a query from the Board in relation to the recent SW Cares Awards, it was agreed that Mr Farrer would review the award categories for future events, to align with the integrated approach to Health & Safety.

**Action 1 – Mr P Farrer**

**Paper 05/24 noted.**

- (ii) Chief Executive Report

Mr Plant presented the paper, updating the Board on constructive meetings with the Scottish Environment Protection Agency (SEPA), Convention of Scottish Local Authorities (COSLA) and the Permanent Secretary to the Scottish Government.

He advised that it was anticipated that the draft SR27 Commissioning Letter would be issued by the Scottish Government in the next few weeks. Regular progress updates would be provided to the Board, with Mrs Wendy Kimpton, Director for Strategy & Regulation, leading a series of deep dive sessions to inform Scottish Water's thinking and

test proposed approaches for SR27. The first session, in March 2024, would enable the Board to engage with the outline position on the refresh of Scottish Water's long-term strategy, in conjunction with consideration of the refresh of Scottish Water's risk appetite.

Mr Plant provided an update on performance, highlighting the continued focus on leakage reduction. He noted that, despite very challenging weather conditions throughout January, customer impacts had been minimal, reflecting Scottish Water's forward planning and the dedication of operational teams. Further to the action arising from the previous meeting, work was ongoing to demonstrate the trajectory of performance measures over time and Mr Plant explained that this formed part of the wider review of Performance at a Glance (PAAG) metrics. Further to a query from the Board, Mr Farrer explained that SEPA verification was awaited in relation to a number of the Category 1-2 Waste Environmental Pollution incidents and noted the challenges of year-on-year comparison. In response to a question from the Board, Mr Farrer explained the basis upon which the RAG status of each measure was determined. Following discussion, it was agreed that this would be reviewed as part of the wider PAAG refresh.

#### **Action 2 – Mr P Farrer**

The Board noted that SEPA had issued a Notice of Intent to serve a Variable Monetary Penalty (VMP) upon Scottish Water following a Category 2 EPI within the Iron Mill Bay Catchment in July 2022. In response to a query from the Board, Mrs Campbell outlined the basis of Scottish Water's defence and noted that Scottish Water had also challenged the proposed level of penalty.

Mr Plant updated the Board on planning for the Spring All-Employee Events and it was agreed that details of the dates and venues would be circulated to the Board to enable members to attend.

#### **Action 3 – Mr A Plant**

#### **Paper 06/24 noted.**

##### (iii) Financial Performance

Mr Strathie presented the paper, reporting that the Tier 1 contribution to 31<sup>st</sup> December 2023, excluding Long Term Normative Charge (LTNC) items, was £551m, £54m higher than budget. Tier 1 revenue was £3m higher than budget at £1,099m and Tier 1 expenditure, excluding LTNC items, was £548m, £51m lower than budget. Forecast Tier 1 expenditure, excluding LTNC items, was £746m, which was in line with the previous forecast and £58m below budget, within a range of £740m - £750m. Mr Strathie outlined the key drivers. Forecast cash as at 31<sup>st</sup> March 2024 had been estimated at £229m, reflecting a £50m reduction in net new government debt. However, Mr Strathie noted that, further to discussions with the Scottish Government, this borrowing would now be drawn down and the forecast cash was therefore estimated at £279m. In response to a query from the Board, Mr Strathie advised that the key sensitivity was the level and cost of Tier 2 investment. Following a question from the Board, Mr Strathie explained that the average maturity of new loans was 14 years, reflecting the minimal difference between the interest rates applicable to long-term and nearer-term borrowing, thus enabling the reprofiling of the overall maturity of loans.

#### **Paper 07/24 noted.**