

SCOTTISH WATER BOARD MEETING MINUTES

Date	3rd May 2023
Start Time	10:00am
Finish Time	2:15pm
Place	Zoom Video Call

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Alan P Scott	Strategy Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Iain Lanaghan	Board Member
	Mrs Deirdre Michie	Board Member
	Mrs Catriona Schmolke	Board Member
	Mr Graham Dalton	Board Member
	Mr Steve Dickson	Board Member
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Brian Strathie	Director of Finance
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital & Transformation
	Mrs Shirley Campbell	Director for People
	Mr Brian Lironi	Director of Corporate Affairs
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mrs Joanne Kay	Wastewater Operations General Manager (Item 5(ii) only)
	Mrs Karen Dee	Wastewater Service Strategy General Manager (Items 5(ii) and 6(v) only)
	Mr Paul Sexton	Alliance Management General Manager (Item 6(v) only)
	Mr Tom Harvie-Clark	Financial Control General Manager (Item 6(vi) only)

PART I

1. APOLOGIES

Apologies were received from Mr Ken Marnoch.

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 29th March 2023
The draft Minutes of the Board meeting held on 29th March 2023 were approved.

Paper 33/23 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held 20th March 2023
The draft Minutes of the Remuneration Committee Meeting held on 20th March 2023 were noted.

Paper 34/23 noted.

4. MONTHLY / QUARTERLY PERFORMANCE

- (i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate, Lost Time Frequency Rate (LTFR) and Total Recordable Injury Rate (TRIR) remained on an improving trend. He highlighted the reduction in safety incidents involving members of the public. The number of High Potential Incidents (HPI) had increased by two in comparison to the performance in 2021/22. The Board considered the background to and the issues arising from two incidents during March 2023 which had been assessed as significant or offered an opportunity for wider business learning. Mr M Dickson updated the Board on the Director-led review of the HPI at Forres Wastewater Treatment Works involving Scottish Water's Capital Alliance contractor, ESD. He noted the continued focus on plant safety across Scottish Water, with regular communications and reviews across the whole supply chain. In response to a question from the Board regarding the RIDDOR at Cothelhill DSR, Mr Farrer advised that the inadequacy of the repair was evident and should have been identified. Scottish Water had engaged with the contractor involved and would continue to monitor the required safety improvements.

Paper 35/23 noted.

- (ii) Safety, Health & Wellbeing Annual Review

Mr Farrer presented the paper, providing an overview of safety, health and wellbeing performance during 2022/23 and planned improvements for 2023/24. He highlighted the steady improvement in health and safety hazard identification and advised that the number of RIDDOR reportable and lost time incidents was the lowest in the UK water industry. The Board noted that Scottish Water and Capital Investment Delivery had each been awarded a RoSPA gold award for health and safety performance from 1st January to 31st December 2022. Further to a question from the Board, Mr Farrer confirmed that Scottish Water engaged with other organisations to identify both positive and negative learning points.

Mr Farrer reported that the sickness absence rate had returned to pre-COVID levels. Following a question from the Board, Mrs S Campbell advised that there was no differentiation in mental health absence rates between office and field-based workers. She confirmed that, where employees had declared a disability on the system, Scottish Water would hold the background data in relation to the relative sickness absence rate. In response to a question from the Board, Mrs S Campbell advised that leaders' responsibility was to direct employees to the various mental health support resources available, including referral to Mental Health First Aiders and the Employee Assistance Programme (EAP). In response to a query from the Board, Mrs S Campbell confirmed that the number of calls to the EAP had been consistent with previous years.

Further to a question from the Board in relation to drug and alcohol testing, it was agreed that Mr Farrer would assess the trends relative to other organisations and report to the Board.

Action 1 – Mr P Farrer

Mrs S Campbell explained that abstinence monitoring testing was undertaken as part of the support provided to employees following a positive test result, where dismissal was not considered appropriate.

Paper 36/23 noted.

(iii) Chief Executive Report

Mr Millican reported that performance across the customer service measures was in line with forecast. Outcome Performance Assessment (OPA) performance was higher than anticipated, due primarily to agreement on the classification of environmental performance in conjunction with SEPA. Mr Millican highlighted that leakage had reduced, despite a challenging year, and reported continued strong financial performance. The Board noted improved performance against the Indicator of Progress of Overall Delivery (IPOD) measure and Mr M Dickson outlined the learning points in relation to forecasting. Mr Millican noted the ongoing leadership focus on the importance of quarterly forecasting. In response to a query from the Board in relation to the improvement in Net Zero Emissions performance, Professor Parsons explained that five photovoltaic schemes had been connected on the final day of the period, including two of Scottish Water's largest schemes. Mr Millican noted that performance was at the lower end of the target range and highlighted the issues identified and lessons learned from experience over the past year.

Paper 37/23 noted.

(iv) Finance Report

Mr Strathie presented the paper, reporting that the Tier 1 contribution, excluding Long Term Normative Charge (LTNC) items, was £655.8m, which was £3.4m higher than forecast and £32m higher than budget. Tier 1 revenue was £1,385.2m, which was £0.8m lower than forecast but £26m higher than budget. Operating costs were £3.2m lower than budget, driven primarily by lower bad debt charges. The Board noted the key drivers. PFI costs were in line with the forecast, but £1.2m higher than budget. Mr Strathie advised that the net benefit of the North-East PFI acquisition was £2.3m, which was £5m higher than anticipated, which had partially offset the gas indexation increases at Levenmouth PFI. Tier 1 expenditure before LTNC items was £54.4m lower than the Final Determination, updated for outturn inflation. Mr Strathie highlighted the benefits of Scottish Water's energy forward purchasing policy. Cash reduced over the year by £126m to £390m, which was £70m below budget and within the forecast range of £355m to £415m. The Board noted the main drivers of the lower cash position relative to budget. Mr Strathie explained that net new borrowing in the year was £50.1m lower than budget at £125.1m, reflecting the reduction in funding agreed with the Scottish Government to offset the additional £50m of borrowing received in 2021/22.

Mr Strathie reported that super deduction and special rate allowance claims had been included within the tax computation for the year ending 31st March 2022 and further claims would be included within the 2022/23 tax computation. Following the annual risk assessment with HMRC, the Scottish Water Group had retained its low-risk status.

Mr Strathie updated the Board on Scottish Water's insurance programme, confirming that insurance covers for 2023/24 had been agreed and were now in place, with an overall reduction of £60k from the premiums presented to the Board at its meeting in February 2023.

Paper 38/23 noted.

(v) Regulatory Update

Professor Parsons presented the paper, informing the Board of relevant economic regulatory, drinking water quality and environmental issues, SPSO complaints and data protection updates. He advised that, further to the previous update provided to the Board, Scottish Water had completed an agreed Annual Compliance Verification Plan and it was anticipated that SEPA would review this over May. The Bathing Water Designation Panel had made recommendations for two new designations in 2023.

Professor Parsons updated the Board on progress in relation to the actions under the Letters of Commitment issued to the Drinking Water Quality Regulator (DWQR), noting that the interim controls at Turriff and Glenfarg Water Treatment Works (WTW) were forecast to miss the commitment dates. He outlined the temporary mitigation measures being explored in the meantime. It was anticipated that the DWQR would issue an Enforcement Notice following a series of Cryptosporidium final water detections from Mannofield WTW final water.

Professor Parsons advised that, on 18th April 2023, Scottish Water had issued its response to WICS' latest letter regarding reporting quality and completeness. No formal response had been received from WICS. Work was ongoing, in conjunction with EY LLP, on the Annual Return Improvement Plan. Professor Parsons advised that Mr Scott was liaising with WICS on its proposed changes to the Annual Return template.

Paper 39/23 noted.