

SCOTTISH WATER BOARD MEETING DRAFT MINUTES

Date	4th December 2019
Start Time	10.00am
Finish Time	3.30pm
Place	Lauriston Room, Castle House, Dunfermline

Present:	Dame Susan Rice Mr Douglas Millican Mr Peter Farrer Mr Matt Smith Mr James Coyle Mr Paul Smith Mr Iain Lanaghan Mrs Deirdre Michie Mr Ken Marnoch Mr Brian Strathie	Chair Chief Executive Chief Operating Officer Board Member Board Member (by telephone) Board Member Board Member Board Member Board Member General Manager – Financial Control
In attendance:	Professor Simon Parsons Mr Mark Dickson Mr Rob Mustard Mrs Emma Campbell Mrs Belinda Oldfield Mr Tom Harvie-Clark Mr Alan Scott Mr Paul Maxwell Mr Gordon Reid	Director of Strategic Customer Service Planning Director of Capital Investment Director of Digital & Transformation Corporate Secretary and Group Legal Counsel General Manager - Revenue & Risk (Item 8(iii) only) General Manager – Strategy & Economic Regulation (Item 8(iv) only) General Manager – Water Services Strategy (Item 8(v) only) General Manager – Operational Resilience Service Centre (Item 8(v) only) General Manager – Zero Emissions (Items 8(vi) & 8 (vii) only)

PART I

1. APOLOGIES

Apologies were received from Mrs Samantha Barber and Mr Alan P Scott.

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 30th October 2019
The draft Minutes of the Board meeting held on 30th October 2019 were approved subject to a minor amendment in relation to item 8(ii).

Paper 110/19 approved.

- (ii) Draft Minutes of the Remuneration Committee meeting held on 25th November 2019
In the absence of Mrs Barber, Chair of the Remuneration Committee, Mr Millican provided a verbal report of the meeting held on 25th November 2019.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate, the Lost Time Frequency Rate (LTFR) and the Total Recordable Injury Rate (TRIR) are on a worsening trend. He explained that, as part of Scottish Water's Strategic Safety Improvement Initiatives to improve the recording, investigation and reporting of H&S incidents, the definition of Lost Time Injury has been expanded to include all road traffic accidents involving business travel and injuries resulting in restricted work duties. This has contributed to the increase in reported LTFR and RIDDOR. High Potential for Injury (HPI) incidents and Reportable Dangerous Occurrence incidents are on an improving trend. Mr Farrer explained the background to and the issues arising from the H&S incidents set out in the report. The Board noted that root cause analysis has been undertaken and Mr Farrer updated the Board on the lessons learned following completion of executive reviews in relation to the incidents. He advised the Board that the Scottish Water Fleet Manager is developing a process for all agency drivers to undergo drug and alcohol testing prior to commencing work with Scottish Water. In response to a query from the Board regarding an incident in which sludge discharged from a ruptured holding tank, resulting in two operatives becoming unwell, Mr Farrer confirmed that all wastewater operatives receive the necessary inoculations. The Board discussed the high percentage of sickness absence attributable to mental health issues. Mr Farrer noted that this is now highlighted as a separate reason for absence and is an area of significant focus.

Further to the action arising from the previous meeting regarding progress of the statutory compliance programme, Mr Farrer advised that a dashboard is being developed to manage statutory compliance and this will form part of the new safety management system.

Paper 111/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, updating the Board following Scottish Water's appearance before the Environment, Climate Change and Land Reform Committee at the Scottish Parliament in connection with the SR21 Strategic Review of Charges. The Board noted that Mr Millican and Professor Parsons attended SEPA's Board meeting on 26th November 2019 and delivered a presentation on Scottish Water's strategy.

Mr Millican provided an overview of performance, reporting positive leakage results. He advised that an error has been identified in relation to the calculation of leakage over the past two years, with an impact of high single figure MI/d. He confirmed that this is not material to this year's performance and would not have affected achievement of targets last year.

Mr Millican thanked the Non-Executive Directors who attended the Autumn series of SWOne events, noting positive feedback, particularly in relation to the focus on net zero emissions.

Paper 112/19 noted.

6. FINANCE REPORT

Mr Strathie presented the paper, reporting that, to 31st October 2019, regulated profit before tax (PBT) at £81.5m was £13.4m higher than budget. Sales were £15.3m higher than budget, reflecting £8m of income uncertainty provision releases in September, with total expenditure £2.5m higher than budget, driven mainly by incident costs of £2.2m and interest £0.6m below budget.

Gross capital investment to October was £371.9m, £48.7m lower than budget, but within the forecast range for the full year. Mr Strathie reported that the out-turn forecast regulated PBT is unchanged at £117.2m, £14.7m higher than budget. The amount billed to household customers was £2.4m higher than budget at £908.5m and cash collected from household customers was £4.3m higher than budget at £568.9m. Mr Strathie noted that household collection rates will continue to be monitored, given the transition to 12 month direct debit payment cycles.

Paper 113/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for October 2019 was 87.63, an increase from the previous month's score of 87.15. Whilst the year to date (YTD) score remained at 87.63, current performance is consistent with trends experienced in previous years. Mr Farrer confirmed that we remain on forecast to achieve the Business Target for 2019/20. He noted that underlying performance is flat and the CEM Steering Group is identifying further initiatives to address this. The in-month non-household CEM (nhCEM) score decreased from 85.44 in September to 82.29 in October, with the rolling 12 month score increasing to 84.32. The YTD score has decreased to 84.37 but remains above the Business Plan Target of 82.00. Mr Farrer confirmed that, based on current performance, we remain on forecast to achieve the Business Plan Target for 2019/20. As with hCEM, initiatives are being explored to address the underlying nhCEM performance. He noted a substantial decrease in the Development Service Survey scores and outlined the actions being taken to address the primary areas of dissatisfaction. In particular, Project ASTRO will enable significant improvement in timescales and communications, and the new system is scheduled to go live in the next few weeks.

Mr Farrer advised the Board of the key findings from annual research undertaken by an independent research agency, Turquoise Thinking, assessing Licensed Providers' satisfaction with Scottish Water as a wholesale service provider. The Board noted that, overall, Licensed Providers are complimentary about Scottish Water as a wholesaler. A full debrief of findings has been conducted with key teams within the business and action planning is underway.

Paper 121/19 noted.