

SCOTTISH WATER BOARD MEETING MINUTES

Date	31st March 2021
Start Time	10:45am
Finish Time	1:00pm
Place	Zoom Video Call

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Alan P Scott	Finance Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Matt Smith	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member
	Mrs Deirdre Michie	Board Member
	Mr James Coyle	Board Member
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning (Items 5 – 12 only)
	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
	Mr Gordon Reid	General Manager – Zero Emissions (Item 9(ii) only)

PART I

1. APOLOGIES

There were no apologies received.

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 24th February 2021
The draft Minutes of the Board meeting held on 24th February 2021 were approved.

Paper 306/21 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 22nd March 2021
Mrs Barber, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 22nd March 2021.

(iii) Draft Minutes of the Audit Committee Meeting held on 30th March 2021

Mr Coyle, Chair of the Audit Committee, provided a verbal report of the meeting held on 30th March 2021.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate, Lost Time Frequency Rate (LTFR), Total Recordable Injury Rate (TRIR) and High Potential Incidents (HPI) are on an improving trend, which has been sustained since October 2019 in the case of RIDDOR and since June 2020 in relation to LTFR. Mr Farrer explained the background to and the issues arising from one incident during February 2021 which had been assessed as significant or offered an opportunity for wider business learning. In response to a query from the Board, Mr Dickson confirmed that he has conducted a review of the incident and detailed the findings. Following a question from the Board, Mr Farrer confirmed that the Developing Leaders in Safety training will be rolled out in May 2021. The Board discussed the importance of considering both leading and lagging indicators and Mr Farrer advised that this is under review for inclusion in the Safety, Health & Wellbeing reports as of April 2021.

Mr Farrer reported that overall sickness absence reduced slightly during February 2021 to 2.18% and is below the 2019/20 performance of 2.76%. The percentage of physio referrals to assessment within three days remains 100%. Whilst the percentage of new instances of absence attributable to mental health issues has increased in comparison to the equivalent period in 2019, this is in the context of a trend of declining total sickness absence, with 20 instances recorded in February 2021, compared to 22 instances in February 2020. The Board considered the results of the SW Cares weekly sentiment analysis. Mr Farrer noted that sentiment among homeworkers remains more positive than among field and site-based employees and outlined the work being undertaken to improve engagement.

Paper 37/21 noted.

5. CEO REPORT - PAAG

Mr Millican reported that Scottish Water continues to operate under COVID-19 transition mode using well-established business continuity arrangements. He advised that the overall situation is generally stable, but noted the continued pressure on our people arising from the ongoing lockdown restrictions and school closures.

Mr Millican provided an update on performance, highlighting the impact of severe winter weather in February 2021. In particular, he noted an increase in leakage levels due to continued low temperatures and subsequent thaw, explaining that additional resources will continue to be deployed to reduce leakage and continue the long-term trajectory of year-on-year reductions.

The Board noted that the Public Audit & Post Legislative Scrutiny (PAPLS) Committee has closed its scrutiny of the Section 22 report in relation to Scottish Water's 2019/20 Annual Report & Accounts.

Paper 38/21 noted.

6. FINANCE REPORT

Mr Scott presented the paper, advising the Board of the financial results to 28th February 2021. Gross capital investment to February was £547.7m, £116.4m lower than budget due to the suspension of significant capital investment activities as a result of COVID-19 restrictions earlier in the financial year. However, Mr Scott noted that capital investment has been in line with or slightly ahead of budget over the past five months, with a monthly run rate of c.£62m. Government loans at the end of February were £301m higher than budget at £4,128.1m.

The Board noted that the out-turn forecast profit and loss account has been revised. Regulated profit before tax (PBT) has increased to £103.2m, £13.7m lower than budget. Mr Scott explained that PBT is c.£40m higher than the original Delivery Plan, despite the impact of the COVID-19 pandemic. Forecast wholesale revenue has increased to £332.8m, £6.5m lower than budget, and the COVID-19 related consumption reduction impact has been partly offset by the release of prior years' income uncertainty provision which is no longer required. The cash balance as at 31st March 2021 was £429m and it is anticipated that Group cash will be c.£560m at year end, an increase of £30m from the previous year. The forecast reduction in household cash collection has been revised to 0.55% from 3%.

Mr Scott reported that the Facilities Agreement between Scottish Water Business Stream Holdings Limited (SWBSH) and Scottish Water Business Stream Limited (Business Stream) in respect of the provision of temporary liquidity support to Business Stream was signed on 16th March 2021. The agreed facility included a debt to equity conversion of £10m which was completed on 8th March 2021, increasing SWBSH investment in Business Stream to £21.5m.

The Board congratulated Scottish Water on its financial performance in a challenging year.

Paper 39/21 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer reported that the in-month household CEM (hCEM) score for February 2021 was 84.44, a reduction from the previous month's score of 85.94. Service Issue Contacts increased by a further 3,940 as a result of persistent low temperatures, but Mr Farrer noted that performance across other elements of hCEM has remained strong, highlighting in particular the Customer Satisfaction Score. The in-month non-household CEM (nhCEM) score for February 2021 was 89.03, a reduction from the previous month's score of 90.88. Mr Farrer reported a slight increase in Service Issue Contacts and noted that Developer Operations Satisfaction increased further from 82.35% in January to 83.33% in February.

The Board considered Scottish Water's results from the UK Customer Satisfaction Index (UKCSI) survey in January 2021, noting that Scottish Water was the highest-rated conventional utility and one of the top 50 UK companies for customer satisfaction. Mr Farrer advised that Scottish Water was ranked first in the water sector and second in the overall utilities sector for trust. The Board congratulated Scottish Water on its customer service performance.

Paper 40/21 noted.