

SCOTTISH WATER BOARD MEETING MINUTES

Date	30th January 2019
Start Time	9.50am
Finish Time	2.20pm
Place	Lauriston Room, Castle House, Dunfermline

Present:	Dame Susan Rice Mr Douglas Millican Mr Peter Farrer Mr Alan P Scott Mr Matt Smith Mr James Coyle Mr Paul Smith Mrs Samantha Barber Mr Iain Lanaghan Mrs Deirdre Michie Mr Ken Marnoch	Chair Chief Executive Chief Operating Officer (entered the meeting after Talent and Succession Planning Discussion) Finance Director (entered the meeting after Talent and Succession Planning Discussion) Board Member Board Member Board Member Board Member Board Member Board Member Board Member
In attendance:	Professor Simon Parsons Mr Mark Dickson Mr Rob Mustard Miss Susan Hill Mrs Claire Marshall Mrs Shirley Campbell Mr Alan Fairweather Mr Dominic Flanagan Mr Robert Stewart	Strategic Customer Service Planning Director (entered the meeting after Talent and Succession Planning Discussion) Director of Capital Investment (entered the meeting after Talent and Succession Planning Discussion) Director of Digital (entered the meeting after Talent and Succession Planning Discussion) Corporate Secretary and Senior Legal Counsel (entered the meeting after Talent and Succession Planning Discussion) Shadow Board Member Director for People (Discussion on Talent & Succession Planning and Item 9.3 only) Head of Commercial (Item 8 only) Delivery Manager, AM GM Managed Delivery (Item 8 only) IPPF Lead, General Manager, SCSP (IPPF Workshop only)

TALENT & SUCESSION PLANNING

Mr D Millican and Mrs S Campbell led the Non-Executive Directors in a discussion on Talent and Succession Planning.

[Mrs S Campbell left the meeting at 10.30am.]

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 5th December 2018

The draft Minutes of the Board meeting held on 5th December 2018 were approved.

Paper 01/19 approved.

(ii) Draft Minutes of the Audit Committee Meeting held on 4th December 2018

The draft Minutes of the Audit Committee meeting held on 4th December 2018 were noted.

Paper 02/19 noted.

(iii) Draft Minutes of the Remuneration Committee Meeting held on 28th November 2018

The draft Minutes of the Remuneration Committee meeting held on 28th November 2018 were noted.

Paper 03/19 noted.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, highlighting that the summary table covers the entire Scottish Water position (staff and contractors). He explained that the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) are better than last year, but there has been an increase in High Potential Incidents (HPIs) reported. Absence figures are improving with a figure of 2.72% compared with 2.87% in the previous year, health and wellbeing is on track but physio referrals are slightly behind target.

Mr Farrer explained the background to and the issues arising from the H&S incidents set out in the report. In particular, he discussed in detail the HPIs concerning contractors Prime Pumps and DK Laferty at Corran Parks SPS in Oban. It was noted that Prime Pumps is an off-shoot of Ross-shire Engineering, who are frequently used in the Capital Programme, and following submission and delivery of an action plan, they have been reinstated to carry out work for Scottish Water. DK Laferty, however, will not be allowed to carry out lifting operations, and any work going forward will be limited to sewer repairs. In response to a query from the Board, Mr Farrer confirmed that feedback following the rollout of a H&S training programme has been positive, and he expects the benefits of this to flow through in due course.

Paper 04/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, beginning with congratulating the Chair on her re-appointment as Chair of the Board of Scottish Water. He explained that he and Mr Scott attended a positive and encouraging meeting with the Chief Executive of Drax Power regarding their acquisition and future plans for the Daldowie sludge PFI contract.

Mr Millican also updated the Board regarding the SR21 strategic plan, and the positive response received from stakeholders. He did, however, identify that the DWQR has expressed concerns over the visibility of projects to be delivered in SR21 (compared with visibility of projects in SR15) and as a result, he expects DWQR may utilise its powers to serve Enforcement Notices on Scottish Water to ensure that certain sites get the investment that DWQR requires. Mr Millican also highlighted to the Board some concerns from the Customer Forum about the co-creation process, and the Board discussed the need for Scottish Water to pay attention to these concerns when developing the SR21 plan.

Mr Millican also updated the Board in relation to charging matters that have been raised with the Cabinet Secretary, noting that a letter of acknowledgement was received from Roseanna Cunningham MSP stating she will respond as soon as possible after receiving and considering advice on these matters.

Mr Millican provided an update on performance, including household CEM (hCEM) and non-household CEM (nhCEM) scores, drinking water quality and environmental pollution incidents. He reported reduced levels of leakage and explained that, as regards capital investment, investment in the last two months has been higher than budget.

Mr Farrer then provided the Board with an update in relation to Brexit, referring to the summary in Mr Millican's paper. In particular, he explained that the Operational Planning Group has been looking at risks and contingencies, including the impact of periods of disruption at ports and the stockpiling of chemicals and materials. He also highlighted his membership of the Water UK Platinum Incident Group and the Core Platinum Management Group, which seek to make decisions to safeguard the industry as a whole. In response to a query from the Board regarding any consequent H&S issues due to the stockpiling of chemicals, Mr Farrer confirmed that SW is not doing anything that would raise any H&S concerns. The Board was encouraged by the steps taken by Scottish Water in relation to Brexit.

Mr Farrer then highlighted to the Board, with regret, a water quality incident at Eela Water WTW in November/December 2018. Mr Farrer reported, in detail, that two flatbed clarifiers (FBCs) required cleaning due to excessive sludge build up in the tank. The first tank was drained and cleaned, but as a result of a need to bring the FBC back on-line quicker than planned, elevated aluminium concentrations passed through to the final water and into distribution. A second tank was subsequently cleaned, again resulting in increased levels of aluminium. Mr Farrer advised that while he is confident that the work was carried out with the best intentions, it is poor decision making and a lack of escalation which has caused him and his fellow directors concerns. In particular, there was a lack of escalation of matters to the Public Health team meaning that no proactive sampling was carried out and matters only came to light through routine sampling. The ELT was not aware of matters until six weeks after the incident. Mr Farrer confirmed that a full Director-led review is being undertaken and a report being prepared for submission to DWQR. The Board discussed in detail the individuals involved in the incident and the possible reasons why they took or failed to take the action they did. The Board then discussed how, as part of a lessons learned exercise, cultural changes can be implemented and whether an independent review is required at this stage. The Board also considered whether the remoteness of the location might also have had a bearing on matters. In response to a query from the Board regarding DWQR's current awareness of the

matter, Mr Farrer confirmed that an initial report regarding the aluminium failures has been submitted, but it does not set out the scale of the incident. In response to a query from the Board, Mr Farrer also confirmed his confidence in the Regional Manager involved in the incident and his forthcoming promotion.

Paper 05/19 noted.

6. FINANCE REPORT

Mr Scott presented the paper, reporting that, to 31 December 2018, profit before tax was £92.4m which was £12.2m above budget. IT transition costs (£4.8m) and receipt of the commercial claim (£13.8m) were included as exceptional items (net £9m). An updated full year forecast will be presented next month. Gross capital investment to December was £485.9m, £31.6m lower than budget, but within the budget range. The amount billed to household customers was £0.5m higher than budget at £882.5m and cash collected from household customers was £2.0m higher than budget at £714.4m. As regards Government borrowing, Mr Scott advised that £60m was borrowed in November at an interest rate of 1.97%, and a further £60m was borrowed in December at a rate of 1.85%, resulting in the borrowing figure sitting at £120m higher than budget.

Paper 06/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer reported that there has been a good recovery from the start of the year, with the in-month hCEM score for December 2018 being 90.24, an increase from the score of 88.86 in November, and noting that, for the last three months, the in-month hCEM scores have been the highest since hCEM commenced in 2015/16. It was noted that this was primarily due to the number of formal complaints in the period decreasing, coupled with a reduction in service issue contacts to c18,500.

Mr Farrer also reported that the in-month nhCEM score was on an improving trend, increasing to 88.02 in December and bringing the year to date (YTD) score to 80.5, which is well above target.

Paper 07/19 noted.