

SCOTTISH WATER BOARD MEETING MINUTES

Date	27th February 2018
Start Time	10.00am
Finish Time	2.20pm
Place	Lauriston Room, Castle House

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan P Scott	Finance Director
	Mr Alan Bryce	Board Member
	Mr James Coyle	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
Mrs Deirdre Michie	Board Member	
In attendance:	Prof Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mrs Claire Marshall	Shadow Board Member
	Mr John Telfer	Head of PFI (Item 9(ii) only)
	Ms Ellen Robertson	Senior Project Manager, PFI Team (Item 9(ii) only)
	Mr Gavin Hood	Deloitte LLP (Item 9(ii) only)
Mr Gavin Quantock	Deloitte LLP (Item 9(ii) only)	

PART I

1. APOLOGIES

Apologies were received from Mr Matt Smith, Board Member. It was noted that Mr M Smith had provided comments and questions on the Board papers prior to the meeting, which would be presented on his behalf by the Chair.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 31st January 2018
The draft Minutes of the Board Meeting held on 31st January 2018 were approved.

Paper 16/18 approved.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) are on a stable trend. Overall Scottish Water sickness absence rate increased to 3.45% in January 2018, due to flu-related absences, but the year to date (YTD) figure remains below the target of 3%. Mr Farrer explained the background to and the issues arising from the H&S incidents set out in the report. The Board noted that Scottish Water is reviewing the equipment and working practices used for the release of seized chamber lids and manhole covers and that any necessary changes to control measures will be implemented following completion of this review. Following a query from the Board, Mr Farrer confirmed that the review will include an assessment of the appropriate eye protection for these tasks. Mr Scott provided an update to the Board in relation to the health and safety incident at Whitburn Waste Water Treatment Works on 31st January 2018.

The Board discussed behavioural safety, noting that Scottish Water's behavioural safety programme was launched in 2010 and currently extends to team leader level. Mr Farrer advised that, as part of the Safety, Health and Wellbeing strategy, the programme will be extended to all Scottish Water employees. In response to a query from the Board, he confirmed that Scottish Water requires its contractors and Alliance Partners to complete behavioural safety training, either as part of their own programme or through Scottish Water's programme. Mr Farrer updated the Board on the actions which have been taken to reinforce the importance of health and safety leadership site visits, with procedures for recording, monitoring and reporting to ensure effectiveness and consistency of approach. The incident investigation and reporting processes are being reviewed to ensure that these are completed timeously. The Board will discuss health and safety strategy during a workshop session in June 2018.

Paper 17/18 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, reporting good overall performance despite continuing adverse weather conditions in the period. He noted that the monthly Customer Experience score increased to 92.9% in January, the highest so far in 2017/18. The Overall Performance Assessment score (rolling 12 months) was 403.19 in the period, an increase of 3.77 points from December 2017. The Board noted that the Strategic Projections document will be published for consultation on 28th February 2018. Mr Millican advised that the spring series of SW One events for managers and team leaders will be held in various locations during April and May 2018 and Board members are invited to attend any of these events.

Paper 18/18 noted.

6. FINANCE REPORT

Mr Scott reported that, to 31st January 2018, regulated profit before tax (PBT) at £113.5m was £27.9m above budget. Sales were £8.1m higher than budget, with total expenditure £18.7m below budget and interest £1.1m below budget. Gross capital investment to January was £534.9m, £7.9m higher than budget. The Board noted that the out-turn forecast PBT for the year to 31st March 2018 has been revised to £127.6m, £30.7m higher than budget. The Board noted the key sensitivities. Forecast gross capital investment is unchanged at £640m, within a range of £620m to £650m, and the cash balance is forecast at £251m. The amount billed to household customers was £3.8m higher than budget at £862m and cash collected

from household customers was £0.4m higher than budget at £772.1m. Government loans at the end of January were £100m higher than budget at £3,426.6m, with £50m of new loans drawn down in January.

Paper 19/18 approved.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month Household CEM (hCEM) score for January 2018 was 86.01, a reduction from the previous month's score of 86.64, due largely to an increase in service issue contacts following operational events resulting from adverse weather. The YTD score has decreased to 86.42, below the year-end target of 86.50. The in-month Non-Household CEM ("nhCEM") score decreased from 81.13 in December to 79.97 in January, due mainly to an increase in service issue contacts and escalations. Within the qualitative components of nhCEM, average scores increased across the Licensed Provider survey and the Business End User survey. The YTD score has increased to 77.63, above the year-end target of 77.00. Mr Farrer explained that, due to the low levels of Rant and Rave responses received for Development Services, Scottish Water has piloted an alternative customer experience survey approach, involving a telephone survey by an independent research company. The new dataset will be used to adjust the current nhCEM score and re-set the baseline position in order to finalise the target for 2018/19. The Board noted the recognition of individual service excellence and the insights delivered through Scottish Water's GEM (Going the Extra Mile) employee recognition programme. Mr Farrer updated the Board on the current position in relation to the upheld SPSO complaint regarding noise and vibration at Tayport Waste Water Pumping Station, advising that works for the permanent installation are well underway and on programme. He explained that the customer has not agreed to internal noise and vibration (N&V) monitoring within his property, but that an external N&V report in relation to the temporary over-ground rising main indicates a significant reduction in levels of vibration.

Paper 20/18 noted.