

SCOTTISH WATER BOARD MEETING MINUTES

Date	31st August 2022
Start Time	9.10am
Finish Time	1.30pm
Place	The Garden Suite, Norton House, Edinburgh

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Alan P Scott	Strategy & Commercial Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Steven Dickson	Board Member
	Mrs Samantha Barber	Board Member (Items 1 – Part of 5(ix) only)
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member
	Mrs Catriona Schmolke	Board Member
	Mr Graham Dalton	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
	Mr Chris Toop	General Manager – Digital Investment, Commercial (Item 5(vi) only)
	Mr Chris Campbell	Senior Responsible Officer – Asset Management Systems (Item 5(vii) only)

PART I

1. APOLOGIES

Apologies were received from Mrs Deirdre Michie.

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 June 2022
The draft Minutes of the Board meeting held on 29th June 2022 were approved.

Paper 76/22 approved.

- (ii) Draft Minutes of the Special Remuneration Committee held on 6th July 2022
The draft Minutes of the Special Remuneration Committee meeting held on 6th July 2022 were noted.

Paper 77/22 noted.

- (iii) Draft Minutes of the Audit & Risk Committee Meeting held on 30th August 2022
Mr Lanaghan, Chair of the Audit & Risk Committee, provided a verbal report of the meeting held on 30th August 2022.

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), Total Recordable Injury Rate (TRIR) and High Potential Incidents (HPI) were on an improving trend. The Board considered the background to and the issues arising from one incident during June and July 2022 which had been assessed as significant or which offered an opportunity for wider business learning.

Further to a question from the Board, Mr M Dickson outlined the Capital Investment Safety, Health & Wellbeing Culture Programme, noting the shared commitment from Scottish Water's supply chain partners to these improvement initiatives. Mr Farrer confirmed that Scottish Water remained focussed on the journey to Zero Harm, with further improvements identified as part of the refresh of the Safety, Health & Wellbeing Strategy. The final Strategy would be presented to the Board for approval at its meeting on 25th October 2022, following a further meeting of the Board sub-group in September 2022. The Board noted rollout of the 2022 Wellness Assessments, with the second stage scheduled to commence towards the end of the year, providing wellness appointments at more remote locations. In response to a question from the Board, Mr Farrer outlined Scottish Water's H&S Fatigue Risk Assessment mobile app and outlined the measures being taken to ensure appropriate resource management.

Paper 78/22 noted.

- (ii) Chief Executive Report

Mr Millican presented the paper and provided an update on performance. He reported that, overall, Scottish Water had managed the summer weather challenges well and avoided the extreme pressures being experienced in many areas of England. He advised that leakage had increased and outlined the measures being undertaken to achieve the year-end targets. Following discussion, it was noted that, as part of the preparations for the SR27 regulatory period, an alternative means of identifying the target level of leakage would be developed, given the limitations of the Economic Level of Leakage (ELL) concept should water supplies to customers be constrained. The Board noted progress towards Scottish Water's Net Zero Emissions target and Mr Millican advised that Scottish Water was exploring the potential to bring forward projects to mitigate any slippage in the year, together with the acceleration of peatland restoration on Scottish Water land. Mr Millican advised that the activity-based working area pilot at The Bridge office in Stepps launched in early August 2022 and the Board Strategy Workshop on 28th September 2022 would be held within the new collaboration zone at The Bridge.

Paper 79/22 noted.

(iii) Finance Performance

Mr Strathie presented the paper, reporting that the Tier 1 contribution to 31st July 2022, excluding Long Term Normative Charges (LTNC), was £215m, £4.7m higher than budget. Tier 1 revenue was £6.1m higher than budget at £461.1m and Tier 1 expenditure, excluding LTNC, was £1.4m higher than budget at £246.1m, but within the regulated budget. Forecast Tier 1 expenditure, excluding LTNC, was estimated at £756m, £21m above budget, within a range of £750m to £765m. Mr Strathie explained that the forecast reflected the impact of significant increases in gas prices at Levenmouth PFI but highlighted that the total forecast was within the regulated full year budget. Cash as at 31st July 2022 was £28m higher than budget at £541m and the Board noted the main drivers. Forecast cash at 31st March 2023 was estimated at £473m, within a range of £415m to £505m and Mr Strathie outlined the key sensitivities. Mr Strathie advised that repayment of the external bank debt in relation to the North-East Scotland PFI Scheme was scheduled to take place on 31st August 2022.

Paper 80/22 noted.