

SCOTTISH WATER BOARD MEETING MINUTES

Date	26th February 2020
Start Time	10.00am
Finish Time	1.45pm
Place	Lomond Suite 4, The Bridge, Stepps, Glasgow / Site Visit – Burncrooks Project

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Matt Smith	Board Member
	Mr James Coyle	Board Member
	Mr Paul Smith	Board Member
	Mr Iain Lanaghan	Board Member
	Mrs Deirdre Michie	Board Member
	Mr Ken Marnoch	Board Member
	Mr Brian Strathie	Acting Director of Finance
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital & Transformation
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel

PART I

1. APOLOGIES

Apologies were received from 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 29th January 2020
The draft Minutes of the Board meeting held on 29th January 2020 were approved.

Paper 16/20 approved.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper. The Board noted the safety performance set out in the KPI summary. Mr Farrer explained the background to and the issues arising from two incidents which have been assessed as significant or offer an opportunity for wider business learning. He explained that these incidents occurred prior to January 2020 and neither resulted in injury. In response to a question from the Board, Mr Farrer confirmed that dynamic risk assessment is an area of ongoing focus for Scottish Water. Following a query from the Board, it was agreed that H&S incident summaries within future Safety, Health & Wellbeing reports would be expanded to include information in relation to the potential consequences of incidents.

Action 1 – Mr P Farrer

Mr Farrer advised that the refreshed Strategic Improvement Plan will be presented to the Board at its meeting in April 2020.

In response to a question from the Board, Mr Farrer explained that the pre-employment occupational health assessment process is progressing well and ensures that all new employee health surveillance requirements are incorporated.

Paper 17/20 noted.

5. CEO REPORT – PAAG

Mr Millican highlighted the key issues arising out of the report, advising that, on 5th February 2020, Scottish Water launched its Strategic Plan at a live web-linked event. He noted that the Water Industry Commission for Scotland (WICS) has published its Final Decision Paper in the Strategic Review of Charges ('Prospects for Prices'), setting out WICS' views of an appropriate range for the charge caps that should apply for the 2021-27 regulatory control period. On 25th February 2020, Scottish Water provided further evidence on the SR21 investment plan to the Environment, Climate Change and Land Reform Committee at the Scottish Parliament.

Mr Millican updated the Board on the activities of Scottish Water's Coronavirus Working Group. The Board noted the focus upon providing employees with appropriate information and ensuring business readiness in the event of an escalation. In response to a query from the Board, Mr Dickson confirmed that Scottish Water is in dialogue with critical suppliers and has received details of their contingency plans. At this point, there is no indication of any impact upon supplies but this will be monitored closely, given the rapidly evolving situation.

The Board noted that, on 25th February 2020, a fine of £19,000 was imposed upon Scottish Water in respect of unlawful spills from the Kinning Park Waste Water Pumping Station in Glasgow in June 2016. Mr Millican advised the Board of the ongoing programme of work to prevent similar events at this pumping station and to protect the network in the future.

Paper 18/20 noted.

6. FINANCE REPORT

Mr Strathie presented the paper. The Board noted that, to 31st January 2020, regulated profit before tax (PBT) at £114.6m was £23.1m higher than budget. Sales were £19.1m higher than budget, reflecting total income uncertainty provision releases of £10m, in line with forecast. Total expenditure was £2.2m lower than budget, after incident costs of £2.2m, and interest was £1.8m below budget. Gross capital investment to January was £545.8m, £37.5m lower than budget, but within the forecast range for the full year. The amount billed to household customers was £3.7m higher than budget at £905m and cash collected from household customers was £5.7m higher than budget at £810.1m. Government loans at the end of January were £225m higher than budget at £3,843.6m, due solely to the timing of loan drawdowns. Mr Strathie reported that the out-turn forecast regulated PBT is unchanged at £130.6m, £28.1m higher than budget.

Following a query from the Board, Mr Strathie outlined Scottish Water's preparations for the implementation of IFRS 16 'Leases', noting that, as a public corporation, Scottish Water's first year of implementation will be the financial year ending 31st March 2021, but its subsidiaries will include IFRS 16 in the accounting policies in their 2019/20 accounts.

Paper 19/20 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for January 2020 was 88.65, an increase from the previous month's score of 86.26. On the basis of this improved performance, it is anticipated that the year-end Business Target will be achieved. The non-household CEM (nhCEM) score increased to 88.64 in January from 85.58 in December, the highest in-month nhCEM score in the past 12 months. In response to a query from the Board as to the reasons for this improvement, Mr Farrer highlighted increased satisfaction levels across all qualitative elements. In particular, there has been a significant improvement in the Licensed Provider Survey compared to the previous year. He noted that Project ASTRO, which is scheduled to go live on 23rd March 2020, will enable self-service for developers, leading to improved timescales and communication.

Mr Farrer reported positive results from the Institute of Customer Service UK Satisfaction Index (UKCSI) survey in January 2020. The Board noted that Scottish Water placed third in the utilities sector, an improvement from fifth place in the previous surveys in January and July 2019. Scottish Water remained in third position when compared to other water companies and is ranked seventh across all sectors in Scotland, the same position as in July 2019, but a steady improvement from 13th position in January 2018.

Paper 20/20 noted.