

SCOTTISH WATER BOARD MEETING MINUTES

Date	24th February 2021
Start Time	10:00am
Finish Time	2:45pm
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 James Coyle	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mrs Deirdre Michie	Board Member
	Mr Ken Marnoch	Board Member
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
	Mr Brian Lironi	Director of Corporate Affairs
	Mrs Shirley Campbell	Director for People (Items 1-8(v) and Item 9(ii) only)
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr Brian Strathie	Group Financial Controller (Item 8(v) and 8(vi) only)
	Mr Nisarg Hirani	General Manager - Transformation (Item 9(ii) only)
	Ms Tracey Gee	Business Manager – Transformation (Item 9(ii) only)
	Ms Emma Gibbs	Lead Partner, McKinsey & Company (Item 9(ii) only)
	Mr Michael Birshan	Senior Partner, McKinsey & Company (Item 9(ii) only)

PART I

1. APOLOGIES

Apologies were received from Mr Matt Smith, Board Member.

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 27th January 2021
The draft Minutes of the Board meeting held on 27th January 2021 were approved.

Paper 22/21 approved.

(ii) Draft Minutes of the Special Board Meeting held on 11th January 2021

The draft Minutes of the Special Board Meeting held on 11th January 2021 were approved.

Paper 23/21 approved.

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. Reportable Dangerous Occurrences and Member of the Public (MOP) incidents are stable. There were no incidents during January 2021 that were assessed as significant or offer an opportunity for wider business learning. The Health & Safety Executive (HSE) has confirmed that no further action will be taken following the incident at Stornoway Wastewater Treatment Works in May 2020. The Board noted progress in relation to the Safety Strategic Actions and, further to the action arising from the previous meeting, Mr Farrer confirmed that the Developing Leaders in Safety project will recommence in April 2021, focusing on Safe Leadership Behaviours. In response to a query from the Board, Mr Farrer confirmed that the development of a just and fair culture model for the capital programme is integrated within Scottish Water's overall strategic improvement plan. Further to a suggestion from the Board, it was agreed that an update would be provided to the Board in a future Safety, Health & Wellbeing report on how this model will be applied across Scottish Water, following feedback from implementation on the capital programme.

Action 1 – Mr P Farrer

Mr Farrer reported that overall sickness absence reduced slightly during January 2021 to 2.22% and is below the 2019/20 performance of 2.76%. The percentage of physio referrals to assessment within three days has now increased to 100%. Whilst the percentage of new instances of absences 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 the same number of instances recorded in January 2020 and January 2021. The Board considered the results of the SW Cares weekly sentiment analysis, discussing the decline in sentiment in January 2021 and the impact of external events, including the continuation of lockdown restrictions. The Board noted that sentiment among homeworkers is generally more positive than among field and site-based employees. Mr Farrer outlined the potential reasons for this divergence. Following a question from the Board, Mr Farrer noted that, despite declining sentiment, safety performance has improved over this period, encompassing both normal and increased levels of activity due to recent severe weather incidents. He confirmed that Scottish Water will continue to monitor the position closely to ensure the necessary focus on safety.

Paper 24/21 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 pressure on employees arising from lockdown restrictions and school closures. Mr Millican and Mr Farrer outlined the impact of persistent low temperatures since early January upon Scottish Water's assets, together with the measures undertaken by Scottish Water to resolve these issues and identify lessons learned to support future improvements.

Mr Millican highlighted the impact of severe winter weather upon performance, noting in particular the increase in leakage in January 2021 due to increased pipe bursts. He explained that leakage levels are anticipated to increase further due to continued low temperatures and subsequent thaw but confirmed 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 positive feedback in relation to Scottish Water's virtual Annual Consultative Meeting (ACM) for 2020. Further to a query from the Board, Mr Millican confirmed that Scottish Water is exploring options for a hybrid approach to future ACMs. The Board commended Scottish Water for maintaining its commitment to graduate and modern apprentice recruitment programmes this year, noting that the selection process will be facilitated through virtual platforms.

In response to a query from the Board, Professor Parsons confirmed that Scottish Water continues to work closely with SEPA and Public Health Scotland to monitor the presence of COVID-19 in wastewater.

Paper 25/21 noted.

6. FINANCE REPORT

Mr Scott provided an update on the outturn forecast profit and loss account, noting that this is unchanged. Regulated out-turn profit before tax (PBT) is forecast to be £25.1m lower than budget at £91.8m, within a range of £57m to £106m. The Board noted the key sensitivities. Mr Scott explained that actual household cash collection levels are better than forecast, but highlighted the impact of severe weather incidents, given the prolonged spell of low temperatures, together with the risk of Licensed Provider insolvency.

Paper 26/21 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer reported that the in-month household CEM (hCEM) score for January 2021 was 85.74, a reduction from the previous month's score of 89.27. The Year to Date (YTD) score reduced to 88.74, which continues to be above the business target of 88.42. Whilst performance had generally been consistent with trends experienced in previous years, the adverse weather conditions in January 2021 resulted in a significant increase in Service Issue Contacts. The in-month non-household CEM (nhCEM) score for January 2021 was 91.15, an increase from the previous month's score of 89.27. Mr Farrer noted that, in contrast to hCEM, there was a reduction in Service Issue Contacts in January, with Developer Operations satisfaction increasing from 72.34% in December 2020 to 82.35% in January 2021.

Mr Farrer provided an overview of the 'Trusted to Care' training, which supports customer advisers in the Customer Engagement Centre (CEC) in dealing appropriately with callers with mental health conditions.

The Board congratulated Scottish Water on its performance in the most recent Institute of Customer Service Benchmark Survey (UKCSI), 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 a full update on the UKCSI survey results would be provided to the Board in the Customer Service Delivery Report in March 2021.

Paper 27/21 noted.