

SCOTTISH WATER BOARD MEETING MINUTES

Date	3rd November 2022
Start Time	9.00am
Finish Time	12.05pm
Place	Zoom Video Call

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
	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 (Items 4(ii) – 8 only)
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr Bill Nicholls	General Manager - H&S Operational Services (Item 4(ii) only)
	Mr Stephen Wilson	Business Improvement Manager (Item 4(ii) only)
	Ms Julia Stevenson	Senior Leader - Strategy and Employment Experience (Item 4(ii) only)

PART I

1. APOLOGIES

Apologies were received from Mrs Deirdre Michie and Mrs Samantha Barber.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Marnoch noted a conflict in relation to the St Fergus project.

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 31st August 2022
The draft Minutes of the Board meeting held on 31st August 2022 were approved.

Paper 96/22 approved.

- (ii) Draft Minutes of the Audit & Risk Committee Meeting held on 30th August 2022
The draft Minutes of the Audit & Risk Committee meeting held on 30th August 2022 were noted.

Paper 97/22 noted.

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 three incidents during August and September 2022 which had been assessed as significant or which offered an opportunity for wider business learning. In response to a query from the Board, Mr Scott advised that the director-led review of the incident involving a Veolia operative at Hatton Waste Water Treatment Works was scheduled for 7th November 2022. The Board considered the electrical HPI at Lochwinnoch Waste Water Treatment Works and it was agreed that, following review of the options by Scottish Water's Health & Safety team, Mr Farrer would provide an update to the Board on the proposed actions within the January 2023 Safety, Health & Wellbeing Report.

Action 1 – Mr P Farrer

Following a question from the Board, Mr Farrer noted engagement with Scottish Water's delivery partners through the Capital Investment Safety, Health & Wellbeing Steering Group and advised that spot audits and leadership safety visits were conducted in relation to other contractors. The Board noted the results of the SW Cares weekly sentiment analysis.

Paper 98/22 noted.

- (ii) Safety, Health & Wellbeing Strategy Refresh

Mr Farrer introduced the paper, noting that a sub-group, including Mr S Dickson and Mrs Schmolke, had developed the SW Cares: Safety, Health & Wellbeing Strategy 2022-25. In response to a query from the Board, Mr Nicholls outlined governance of the Strategy, clarifying that the Trades Union Consultative Group had been engaged in its development. The Board reviewed the draft Strategy and provided comments and feedback. In particular, it was agreed that the Chair & CEO Statement would be amended to encompass the Safety, Health & Wellbeing of our people and those we work with. Further to a query from the Board, it was agreed that the reference to just and fair culture within the Strategy would be made more explicit. The Board discussed the importance of ensuring the appropriate balance between the Safety, Health & Wellbeing elements of the Strategy and it was agreed that the refreshed Health & Wellbeing model would be incorporated within the Strategy document to provide visibility of Scottish Water's holistic approach and objectives. Following a question from the Board, it was agreed that Mrs S Campbell would review the Health & Wellbeing initiatives to assess whether these were appropriate and reflected Scottish Water's demographic.

Action 2 – Mrs S Campbell

Following consideration, the Board approved the Strategy, subject to the agreed amendments.

Paper 99/22 approved.

(iii) Chief Executive Report

Mr Millican presented the paper, noting that the appointment of Alex Plant as Chief Executive from 1st June 2023 was announced on 19th October 2022.

Mr Millican provided an update on performance, highlighting a significant improvement in leakage performance, with continued focus being maintained to pursue further reductions.

Paper 100/22 noted.

(iv) Financial Performance

Mr Strathie presented the paper, reporting that the Tier 1 contribution to 30th September 2022, excluding Long Term Normative Charges (LTNC), was £332.4m, £18.2m higher than budget. Tier 1 revenue was £15.1m higher than budget at £696.5m and Tier 1 expenditure, excluding LTNC, was £3.1m lower than budget at £364.1m. Forecast Tier 1 expenditure, excluding LTNC, was estimated at £742m, which was £14m lower than the previous forecast but £7m above budget, within a range of £730m to £760m. Mr Strathie explained that the forecast reflected the gas indexation mechanism on the Levenmouth PFI contract. Cash as at 30th September 2022 was £391m, a £125m reduction from 1st April 2022 and £53m lower than budget. The Board noted the main drivers. Forecast cash at 31st March 2023 was estimated at £460m, within a range of £425m to £525m, and Mr Strathie outlined the key sensitivities. The Board noted that, following repayment of the outstanding external bank debt, the Concession Agreement in respect of the North-East Scotland PFI Scheme had terminated with effect from 1st October 2022 and North-East PFI operations had now been integrated within Scottish Water waste water operations. Mr Strathie explained that the tax charge on the profit and loss account was calculated at the current corporation tax rate of 19%, with the increase in deferred corporation tax reflected in the full year results to 31st March 2022 at 25%.

Paper 101/22 noted.

(v) Regulatory Update

Professor Parsons presented the paper, informing the Board of relevant economic, regulatory, drinking water quality and environmental issues, SPSO complaints and Data Protection updates. He advised that the Public Water Supplies (Scotland) Amendment Regulations 2023 came into force on 1st November 2022, implementing the recast Drinking Water Directive. Proposals for a revised Urban Waste Water Treatment Directive (UWWTD) were published on 26th October 2022. The Board considered the key changes. In response to a query from the Board, Professor Parsons noted the alignment of devolved Scots law to future EU law under the European Union (Continuity) (Scotland) Act 2021.

The Board noted the positive report published by the OECD on the outcome of its review of the Strategic Review of Charges for 2021-2027 (SRC21), which had identified a series of key recommendations and suggestions for SRC27.

Professor Parsons advised that the Water Industry Commission for Scotland (WICS) had issued a significant number of queries in relation to both the re-submitted Annual Return 2022 and Scottish Water's response to WICS' Information Request. EY had been instructed to review the current Annual Return process and identify improvements, as part of an ongoing Transformation project in relation to the presentation of regulatory information.

Further to a query from the Board in relation to Scottish Water's peatland restoration programme, Professor Parsons advised that Scottish Water was working in collaboration with Nature Scot to seek to develop a supply chain to carry out peatland restoration work in Scotland.

Paper 102/22 noted.