

SCOTTISH WATER BOARD MEETING MINUTES

Date 26th January 2022
Start Time 9.00am
Finish Time 1.05pm
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 Steven Dickson	Board Member
	Mrs Catriona Schmolke	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mr Jim Coyle	Board Member (excluding Items 4(iii) – Item 9 and part of Item 8(ii) only)
	Mrs Deirdre Michie	Board Member (excluding Items 4(ii) & (iii) and Item 8(ii))
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 Shirley Campbell	Director for People
	Mr Brian Lironi	Director of Corporate Affairs
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
Ms Clare Smith	Marketing Team Manager (Item 6(ii) only)	

PART I

1. APOLOGIES

Apologies were received from Mr Marnoch. The Chair noted that Mrs Michie would leave the meeting at 10.20am and Mr Coyle would leave the meeting at 11.00am.

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 1st December 2021
The draft Minutes of the Board meeting held on 1st December 2021 were approved.

Paper 01/22 approved.

- (ii) Draft Minutes of the Audit Committee Meeting held on 30th November 2021
The draft Minutes of the Audit Committee meeting held on 30th November 2021 were noted.

Paper 02/22 noted.

- (iii) Draft Minutes of the Audit Committee Meeting held on 25th January 2022
Mrs Barber, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 25th January 2022.

4. OPERATIONAL & REGULATORY

- (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 and High Potential Incidents (HPI) were slightly higher than target. Mr Farrer noted the limitations of comparing the RIDDOR frequency rate with the position in 2020/21, given the impact of COVID-19 restrictions upon the capital programme. In response to a question from the Board, Mr Farrer highlighted the cyclical trend in contractor RIDDOR incidents and advised that health and safety performance, including the RIDDOR frequency rate, is a key focus area for the Capital Investment Safety, Health & Wellbeing Steering Group. The Board noted the continued increase in hazard identification and Mr Farrer confirmed that hazards are reviewed on a weekly basis.

Mr Farrer explained the background to and the issues arising from one incident in November and December 2021 which had been assessed as significant or offered an opportunity for wider business learning. In response to a query from the Board, Mr Farrer confirmed that there was no evidence of non-compliance with the Working Time Regulations or Scottish Water's required rest periods.

Mr Farrer reported that, following a significant increase in COVID-19 absences in December 2021 and early January 2022, sickness absences have returned to normal levels. The Board welcomed the increased reporting of mental health absence. Following a query from the Board, Mrs S Campbell advised that there is no indication that mental health issues are more prevalent among any particular demographic group, nor is there any distinction between office/home based employees and field/site-based employees. It was agreed that a detailed breakdown of the data in relation to mental health absences would be included in the next Safety, Health & Wellbeing Report.

Action 1 – Mr P Farrer

The Board considered the results of the SW Cares weekly sentiment analysis. Further to a question from the Board, Mrs S Campbell noted that employees have responded positively to the provision of personal resilience training.

Paper 03/22 noted.

[Mrs D Michie left the meeting at 10.20am.]

(ii) Chief Executive Report

Mr Millican reported that Scottish Water continues to operate under COVID-19 transition mode using well-established business continuity arrangements. He noted that, despite an increase in COVID-19 cases from the Omicron variant, full service was maintained throughout the Christmas and New Year period.

The overall situation is stable, with an ongoing focus upon ensuring that all work and welfare interactions can be carried out safely.

The Board noted that the water supply incident arising as a result of Storm Arwen was managed very well, with the impact on customers' water supplies being far shorter than the period of power outage. Mr Millican advised that a paper setting out the lessons learned from Storm Arwen would be presented to the Board at its meeting on 1st March 2022. In response to a query from the Board, Mr Farrer explained how Scottish Water acknowledges the work of employees who volunteer to support operational incidents.

Mr Millican advised that Scottish Water's route map for improving urban waters was published on 22nd December 2021. The Board noted that the Cabinet Secretary for Net Zero, Energy and Transport, Michael Matheson MSP, and Mairi McAllan MSP, Minister for Land Reform and the Environment, will visit Scottish Water's Intelligent Control Centre (ICC) at the end of March 2022.

Mr Millican reported improved customer service and drinking water quality performance in December 2021. Whilst leakage has stabilised, Mr Millican outlined the challenges in achieving the year-end target, given the impact of weather conditions. A two-stage recovery plan has been instigated and additional resources have been deployed. The investment programme is progressing well, despite the impact of the COVID-19 pandemic, with investment of £70m in December and total investment in the year to date of £604m. In response to a query from the Board regarding waste water Environmental Pollution Incidents (EPIs), Mr Millican clarified that a number have yet to be agreed with SEPA, with a reasonable prospect of a reduction in the number of incidents to within the target zone at year-end.

Paper 04/22 noted.

(iii) Finance Report

Mr Scott presented the paper, reporting that the current mid-case forecast Tier 1 net contribution has increased by £7m to c.£403m, which is c.£23m higher than budget. This reflects higher anticipated household and wholesale revenue and lower Tier 1 costs. Scottish Water's cash balance is forecast to be £458m as at 31st March 2022, which is £73m higher than budget and £28m higher than the position as at 31st March 2021. Group cash is forecast to be c.£573m, in line with the position in 2020/21. Profit before tax (PBT) is just over £20m higher than budget. Mr Scott noted that enactment of the planned increase to the corporation tax rate results in a significantly higher deferred tax charge and a loss after tax. He also noted the impact upon PBT of cloud computing accounting adjustments.

Paper 05/22 noted.

(iv) 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. In an update to the position stated in the paper, Professor Parsons advised that normal random zonal sampling recommenced on 24th January 2022. The Board noted that Scottish Water's route map for improving urban waters was published on Scottish Water's website prior to Christmas 2021.

Paper 06/22 noted.