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## SCOTTISH WATER BOARD MEETING MINUTES

<b>Date</b>	<b>31<sup>st</sup> May 2017</b>
<b>Start Time</b>	<b>9.50am</b>
<b>Finish Time</b>	<b>12.50pm</b>
<b>Place</b>	<b>The Patio Room, Norton House Hotel</b>

<b>Present:</b>	Lady Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan P Scott	Finance Director
	Mrs Lynne Peacock	Board Member
	Mr Alan Bryce	Board Member
	Mr Matt Smith	Board Member
	Mr Paul Smith	Board Member
	Mr James Coyle	Board Member
	Mrs Samantha Barber	Board Member
Mr Iain Lanaghan	Board Member	
<b>In attendance:</b>	Prof Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel

### PART I

#### 1. APOLOGIES

There were no apologies.

#### 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 3<sup>rd</sup> May 2017  
The draft Minutes of the Board Meeting held on 3<sup>rd</sup> May 2017 were approved.

**Paper 53/17 approved.**

- (ii) Draft Minutes of the Special Audit Committee Meeting held on 3<sup>rd</sup> May 2017  
The draft Minutes of the Special Audit Committee Meeting held on 3<sup>rd</sup> May 2017 were noted.

**Paper 54/17 noted.**

- (iii) Draft Minutes of the Audit Committee Meeting held on 24<sup>th</sup> May 2017  
Mrs Peacock, Chair of the Audit Committee, provided a verbal report of the meeting held on 24<sup>th</sup> May 2017.

- (iv) Draft Minutes of the Remuneration Committee Meeting held on 25<sup>th</sup> May 2017  
Mr Bryce, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 25<sup>th</sup> May 2017.

#### **4. SAFETY, HEALTH & WELLBEING REPORT**

Mr Farrer presented the paper, providing a summary of performance and progress in the areas of safety, health and wellbeing during April 2017. He indicated that the new format of the report reflects Scottish Water's integrated Safety, Health and Wellbeing Strategy 2017-21. He explained the background to and the issues arising from the H&S incidents set out in the report. In particular, he reported that Scottish Water is carrying out a review of PPE footwear, with recommendations to be presented in six weeks' time, in light of two recent Lost Time Accidents (LTAs) involving foot injuries. The Board considered the increase in the overall sickness absence rate. Mr Farrer explained that short-term sickness absence levels have been relatively stable over the past year and dropped from 0.84% to 0.81% in April, but long-term absence has increased and is currently 2.14%. The Board discussed the most common reasons for sickness absence and the measures being undertaken by Scottish Water, noting that nurse-led absence management will be introduced in Autumn 2017, with the aim of ensuring that all employees have access to appropriate medical advice at the earliest opportunity, providing a consistent approach to all sickness absence.

**Paper 55/17 noted.**

#### **5. CEO REPORT - PAAG**

Mr Millican highlighted the key issues arising out of the report, advising that the Scottish Government is undertaking a review of the governance of the Scottish Water Group and the Water Industry Commission for Scotland, in line with the Scottish Government's standard practice to review the governance and functioning of sponsored bodies every five years. On 25<sup>th</sup> May 2017, the Scottish Parliament Petitions Committee heard a petition from a customer within the Aviemore water supply zone, calling on the Scottish Government to (i) review the role of the Drinking Water Quality Regulator (DWQR); and (ii) commission independent research into the safety of the chloramination of drinking water. It is anticipated that the Committee will call for evidence in June 2017. Mr Millican distributed a copy of the latest water resource report, noting that this is reviewed on a weekly basis by senior management.

**Paper 56/17 noted.**

#### **6. FINANCE REPORT**

Mr Scott reported that regulated profit before tax (PBT) to 30<sup>th</sup> April 2017 at £10.0m was £0.9m above budget. Sales were £0.1m higher than budget, with total expenditure £0.8m below budget and interest on budget. Gross capital investment to April was £55.3m, £5.7m higher than budget. The amount billed to household customers was £0.4m higher than budget at £863.7m and cash collected from household customers was £0.7m higher than budget at £59.4m. Government loans as at 30<sup>th</sup> April 2017 were in line with budget at £3,346.4m.

Mr Scott presented a proposed change to the Scottish Water Group counterparty list for the deposit of surplus funds, enabling Scottish Water to have the facility to deposit surplus funds with Svenska Handelsbanken, a counterparty which is currently only available to Business Stream. He explained that the total Group limit on deposit would not increase as the facility would be shared with Business Stream. The Board considered and approved the updated counterparty list.

**Paper 57/17 approved.**

## **7. CUSTOMER SERVICE DELIVERY REPORT**

Mr Farrer reported a very strong start to the period, with the in-month hCEM score for April increasing by 2.13 points to 88.25, the highest in-month score ever reported. This increase was largely due to a reduction in service issue contacts and higher perception survey scores. Mr Farrer noted the importance of sustaining and building on strong performance in 2016/17 in order to further improve hCEM performance in 2017/18. The current forecast range for 2017/18 is 86.2-86.8, against a Business target of 86.5. The in-month nhCEM score for April 2017 increased by 0.35 points to 77.80, largely as a result of a reduction in service issue contacts, formal complaints and escalations, which was partly offset by a reduction in satisfaction levels as measured by the Licensed Provider experience survey, the Developer/Connections survey and the Business End User survey. Mr Farrer updated the Board on the continued progress of the Engage21 Research Programme to engage and listen to customers as part of the Strategic Review process.

**Paper 58/17 noted.**

## **8. ANNUAL REPORT FROM AUDIT COMMITTEE**

Mrs Peacock presented the Annual Report from the Audit Committee to the Board, noting that this was tabled at the Audit Committee on 24<sup>th</sup> May 2017.

**Paper 59/17 noted.**

## **9. WICS ANNUAL RETURN**

Professor Parsons introduced the paper, explaining that the Annual Return Overview was considered by the Audit Committee at its meeting on 24<sup>th</sup> May 2017. The Board endorsed submission of the Annual Return Overview document as part of the Annual Return of Information to the Water Industry Commission for Scotland (WICS) and approved the Board's assurance statement.

**Paper 60/17 approved.**

## **10. ANNUAL REPORT & ACCOUNTS 2016/17**

Mr Scott introduced the paper, indicating that the Audit Committee reviewed the accounts with the auditors, KPMG, at its meeting on 24<sup>th</sup> May 2017. The Board considered the going concern and viability statements and approved (i) the Annual Report and Accounts; and (ii) submission of the Representation Letter to KPMG.

**Paper 61/17 approved.**