

SCOTTISH WATER BOARD MEETING MINUTES

Date	6th December 2017
Start Time	9.00am
Finish Time	12.25pm
Place	The Patio Room, Norton House Hotel, Edinburgh

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

PART I

1. APOLOGIES

Apologies were received from Mr James Coyle, Board Member.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no declarations of interest. There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 25th October 2017
The draft Minutes of the Board Meeting held on 25th October 2017 were approved.

Paper 103/17 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 30th November 2017
Mr Bryce, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 30th November 2017.
- (iii) Draft Minutes of the Audit Committee Meeting held on 5th December 2017
In Mr Coyle's absence, Mrs Campbell provided a verbal report of the meeting held on 5th December 2017.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the Lost Time Frequency Rate (LTFR) has increased to 0.32%, producing a declining trend against the Year to Date (YTD) and rolling 12 month figures. He explained the background to and the issues arising from the H&S incidents set out in the report. The Board noted that root cause analysis and executive reviews have been undertaken. The lessons learned were being implemented as set out in the report and are shared with Scottish Water's Alliance Partners and contractors. Following discussion, it was agreed that Mr Farrer would consider additional measures to reinforce Scottish Water's commitment to safety, including a safety stand-down.

Action 1 – Mr P Farrer

Mr Farrer reported that overall Scottish Water sickness absence has reduced to 2.69%, noting that there is likely to be an increase in the number of sickness absences due to improved recording following the introduction of nurse-led absence management on 1st December 2017. In response to a query from the Board, Mr Farrer confirmed that he anticipates that any increase will be short-term and should be recovered within the first 12 months of operation. Mr Farrer advised that Scottish Water is meeting with the Health & Safety Executive on 7th December 2017 to discuss the findings and actions from the health and safety incident which occurred at Prestonpans Pumping Station on 9th June 2017. An update will be provided to the Board at its meeting in January 2018.

Paper 104/17 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, noting the recent Scottish Parliament debates in relation to Scotland's Hydro Nation ambitions and working in partnership to reduce flood risk across Scotland. Following the second consideration of the petition on drinking water supplies in Aviemore, the Scottish Parliament Petitions Committee has agreed to make the Environment, Climate Change and Land Reform Committee aware of the petition, with a view to suggesting that the issue could be raised with Scottish Water as part of a planned evidence session. Mr Millican advised the Board that Sue Petch, the Drinking Water Quality Regulator, will meet with Board members following the Annual Consultative Meeting in August 2018. Mr Millican outlined the positive feedback received following the 2017 all-employee "Vision in Focus" events and noted that 86% of employees attended one of the events, the highest-ever attendance. He thanked Board members for their attendance at a number of the Vision in Focus events.

Paper 105/17 noted.

6. FINANCE REPORT

Mr Scott reported that regulated profit before tax (PBT) at £84.5m was £17.1m above budget. Sales were £6.7m higher than budget, with total expenditure £10.1m below budget and interest £0.3m below budget. Gross capital investment to October was £376.6m; £5.4m lower than budget. The Board noted that the out-turn forecast regulated PBT for the year to 31st March 2018 has been revised to £126.5m, £29.6m higher than budget, reflecting higher income, lower PFI costs and lower interest charges. Forecast gross capital investment is unchanged at £640m, within a range of £620m–£660m, and the cash balance is forecast at £254m. The amount billed to household customers was £2.5m higher than budget at £865.8m and cash collected from household customers was £1.9m lower than budget at £541.3m. Government loans at the end of October were in line with budget at £3,330.7m.

The Board noted that the board of Scottish Water Horizons Limited has approved the disposal of its shares in the Millerhill Food Waste Recycling project to Kelda Water Services Limited as part of the sale of the overall Millerhill project by Kelda to Ancala Partners.

Paper 106/17 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month Household CEM (hCEM) score for October 2017 was 86.01, a reduction from the previous month's score of 86.71. This reduction was largely due to an increase in formal complaints. The YTD score of 86.28 remains above the previous year's position. Mr Farrer highlighted the continued programme of improvement relating to formal complaints management and the results of a benchmarking exercise undertaken in relation to formal complaints levels in the UK water industry. He updated the Board on the current position in relation to the upheld SPSO complaint regarding noise and vibration at Tayport Waste Water Pumping Station, advising that contractors are on site to commence works to re-route the rising main. The Board noted that DWQR partially upheld a complaint from a customer in Banknock in relation to variable chlorine levels from the supply service reservoir and the customer's property. Scottish Water will carry out monitoring and investigation over the next 3 months and agree any required actions. The in-month Non-Household CEM (nhCEM) score for October decreased from 80.67 in September to 77.21, whilst the YTD score increased to 77.05, due mainly to an increase in service issue contacts and formal complaints.

Paper 107/17 noted.