

SCOTTISH WATER BOARD MEETING MINUTES

Date	28th August 2019
Start Time	11.15am
Finish Time	2:20pm
Place	Salisbury Suite 1, Macdonald Holyrood Hotel, Edinburgh

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan P Scott	Finance Director
	Mr Matt Smith	Board Member
	Mr James Coyle	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member
	Mrs Deirdre Michie	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
	Miss Susan Hill	Corporate Secretary and Senior Legal Counsel
	Mr Paul Sexton	Alliance Management General Manager (Item 8(ii) only)

PART I

1. APOLOGIES

There were no apologies received.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Iain Lanaghan, Board Member, advised that he has been appointed Chairman of Blaze Manufacturing Solutions Limited and that he has resigned as a Director of Transport Investment Limited. Dame Susan Rice, Chair, declared that she has been appointed Chair of the Banking Standards Board with effect from January 2020 and that she will step down from the Board of C Hoare and Co on 31st December 2019.

There were no other 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 26th June 2019
The draft Minutes of the Board meeting held on 26th June 2019 were approved. It was noted that steps would be taken to close out Action 3.

Paper 79/19 approved.

- (ii) Draft Minutes of the Audit Committee Meeting held on 27th August 2019
Mr James Coyle, Chair of the Audit Committee, provided a verbal report of the Audit Committee meeting held on 27th August 2019.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that this is a two month report and that safety performance has declined in terms of the RIDDOR Injury Frequency Rate, the Lost Time Frequency Rate and the Total Recordable Injury Rate over the period. He reported that High Potential for Injury (HPI) incidents were on an improving trend and that Member of the Public incidents were on a stable trend. Mr Farrer explained the background to and the issues arising from 5 incidents during June and July 2019 which have been assessed as significant or potentially significant for wider business learning. Mr Farrer also reported that there has been a slight increase in contractor related incidents and that a number of Capital Investment Health and Safety Improvement Initiatives are underway with contractors. The Board discussed matters relative to combatting driver fatigue, noting that procedures are being reviewed and rolled out to teams throughout the business. The Board highlighted that it is encouraging to see how far Scottish Water has come in terms of promoting positive mental health and in particular noted that the number of people volunteering to become mental health first aiders has surpassed expectations.

Paper 80/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, noting that over the past two months significant storm events have been experienced across Scotland and that reservoirs are now 91% full. He noted that while teams have responded well to the significant challenges faced by the business over the period, there are knock-on effects in terms of water quality and CEM.

Mr Millican reported that he and the Director of Corporate Affairs, Brian Lironi, visited Westminster as part of Scottish Water's political engagement strategy, and that the First Minister of Scotland, Nicola Sturgeon MSP, had attended a tour of the newly built Stirling Energy Centre, with both events being viewed positively. Mr Millican highlighted that the Drinking Water Quality Regulator for Scotland (DWQR) has published her Annual Report, which recognises the significant efforts made by Scottish Water in this area, but also the need for continued investment to ensure that water treatment assets are more resilient to changes in source water quality and to drive improvement in performance. Mr Millican also highlighted that the Scottish Government's "Programme for Government" will be announced shortly, and noted that Scottish Water will have a role to play with regard to achieving net-zero emissions. Mr Millican reported that the draft strategic plan for SR21 has been shared with regulators and will be the focus of discussion at the next Board meeting.

Mr Millican provided an overview of performance, noting that whilst drinking water quality at customer taps and the level of cryptosporidium detections were positive, there has been an increase in category 1 – 3 environmental pollution incidents. He also reported that leakage has continued to reduce. Mr Farrer then provided an update in relation to Brexit planning, noting a desire across the UK water industry to work together in this respect. The Board also noted that Scottish Water's Annual Consultative Meeting took place on 27th August 2019 and the matters that were discussed during that meeting. Following a query from the Board, it was noted that there is a need to balance business as usual activities with climate emergency matters going forward.

Paper 81/19 noted.

6. FINANCE REPORT

Mr Scott reported that for the two month period to 31st July 2019, regulated profit before tax (PBT) at £43.5m was £3.8m higher than budget. Sales were £2.2m higher than budget, with total expenditure £1.3m lower than budget and interest £0.3m below budget. Gross capital investment to July 2019 was £205.6m, £32m lower than budget, but within the forecast range for the full year.

Mr Scott presented the forecast out-turn for the year to 31st March 2020, advising that regulated out-turn profit before tax (PBT) is forecast to be £12.3m higher than budget at £114.8m, within a range of £100m to £136m. Revenue is forecast to be £6.9m higher than budget, with total expenditure forecast at £3.4m lower than budget. In terms of wholesale income, it was noted that there may be certain releases regarding the income uncertainty provisions.

Mr Scott reported that a claim under a property insurance policy has been submitted by Scottish Water in respect of matters following the landslide at Loch Katrine. He also provided an update in terms of the accounts of Scottish Water Horizons Limited and the Aberdeen PFI companies.

Paper 82/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for July 2019 was 86.33, a decrease from the previous month's score of 89.21. The year to date (YTD) sits at 88.47 above the business target of 87.82 and the internal stretch target of 88.16. The main reason for the decrease in the in-month score for hCEM performance was reported to be the combination of bursts and floodings due to the dry and wet weather. Mr Farrer reported that service issue contacts had increased by 6785 to 29575 for the month of July and an increase of 623 contacts in all lines busy/calls abandoned. It was noted that there was a reduction in the Customer Experience Satisfaction score for no experience, no contact from 94.23% to 93.75% and the experience, no contact satisfaction level dropped from 82.95 to 76.87%. The in-month non-household CEM (nhCEM) score decreased from 86.57 in June to 84.21 in July. It was noted that the year to date score has decreased to 85.25 but remains above the business target of 82.00 and the internal stretch target of 83.56. It was noted that there was an increase in Developer Operations satisfaction from 60.56% to 66.67%, which was offset by a reduction in the Business End User score from 93.75% to 86.84% and the LP Experience Survey score reduced from 96.23% to 91.11%.

Mr Farrer also reported that Scottish Water had performed well in the UK Customer Satisfaction Index (UKCSI) survey, continuing to be positioned in the upper quartile of customer service performance. He noted that Scottish Water is placed 5th out of the 31 utility companies included in the survey, and is significantly above the utilities average of 72.1.

Paper 83/19 noted.