

SCOTTISH WATER BOARD MEETING MINUTES

Date	29th August 2018
Start Time	10.50am
Finish Time	1.30pm
Place	Great Western Room, Grand Central Hotel, Glasgow

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
In attendance:	Professor Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mrs Claire Marshall	Shadow Board Member
	Mr Alan Fairweather	Head of Commercial (Item 8(iii) only)

PART I

1. APOLOGIES

Apologies were received from Mrs Deirdre Michie.

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 26th June 2018
The draft Minutes of the Board meeting held on 26th June 2018 were approved.

Paper 78/18 approved.

- (ii) Draft Minutes of the Audit Committee Meeting held on 28th August 2018
Mr James Coyle, Chair of the Audit Committee, provided a verbal report of the Audit Committee meeting held on 28th August 2018.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that safety performance is on an improving trend. He noted that High Potential for Injury (HPI) incidents are on a worsening trend, but that the level of reporting is positive and ensures that the necessary actions can be put in place. 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 and the lessons learned were being implemented as set out in the report.

The overall Scottish Water sickness absence rate is on an improving trend at 2.71. Scottish Water's Safety, Health & Wellbeing conference will take place in September 2018, attended by 600 leaders from Scottish Water and the supply chain. The Safety, Health & Wellbeing climate survey concluded at the end of June 2018, with a response rate of 70%. The results will inform updates to the existing Safety, Health & Wellbeing Strategic Plan and Improvement Plans within each business function.

Paper 79/18 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, noting that Scottish Water's Annual Consultative Meeting took place on 28th August 2018. Engagement with customers on Scottish Water's "Shaping the Future" consultation continued throughout the summer and over 16,000 consultation responses have now been received. Output from the consultation will be reviewed by the Board at its meeting in September 2018. On 30th July 2018, Mr Millican and Mr Dickson hosted a visit by Roseanna Cunningham MSP, Cabinet Secretary for Environment, Climate Change and Land Reform, to Scottish Water's Intelligent Control Centre, to officially open the Shieldhall Tunnel.

Mr Millican provided an overview of performance, advising that reported leakage in June and July may be over-stated as a result of the increased volumes of water supplied during the hot and dry weather, but this will be subject to internal review and external verification.

Mr Millican distributed a copy of the latest Water Update Report to the Board and the Board considered the current areas of focus, noting that Scottish Water overcame significant challenges presented by the extended period of hot and dry weather in the early summer months to maintain uninterrupted water supplies to our customers. Following a request from the Scottish Government, Scottish Water worked with local authorities to provide alternative supplies to households whose private water supplies had run dry and the full costs of these activities will be reimbursed by the Scottish Government. The Board will now be advised on a monthly, rather than weekly, basis of the water resources position and will be informed of any unusual or specific matters.

Paper 80/18 noted.

6. FINANCE REPORT

Mr Scott presented the forecast out-turn for the year to 31st March 2019, advising that regulated out-turn profit before tax (PBT) is forecast to be £0.5m higher than budget at £98.8m, within a range of £85m to £118m, excluding exceptional items. Revenue is forecast to be £1.1m higher than budget, with total expenditure forecast at £0.7m higher than budget. Regulated operating costs are forecast to be £1.6m higher than budget, at £414.5m.

Mr Scott reported that, to 31st July 2018, regulated PBT at £34.3m was £3.0m below budget as a result of additional costs incurred from the exceptional hot and dry weather. Sales were £1.0m higher than budget, with total expenditure £4.6m higher than budget and interest £0.6m below budget. Gross capital investment to July was £220.5m, £16.6m lower than budget but within the forecast range for the full year.

Mr Scott presented an overview of Scottish Water's insurance claims, setting out the process, quantum and volumes.

Paper 81/18 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for July 2018 was 85.74, an increase from the previous month's score of 85.37. The year to date (YTD) score reduced to 86.50, due to the impact of the dry summer, high demand, two significant storm events and a number of operational incidents. In July, service issue contacts increased to their highest level since the introduction of hCEM, at 32,611. The Customer Experience Score decreased from 90.27% in June to 89.87% in July, but the perception-based surveys have shown increased satisfaction over the period. The in-month non-household CEM (nhCEM) score decreased from 80.44 in June to 79.24 in July, due mainly to an increase in service issue contacts and a significant decrease in the Developer Operations Survey. Mr Farrer explained that this was largely due to a reduction in the sample size, resulting from the holiday period and a reduced level of activity. The Board noted the continued programme of customer research to inform the Strategic Planning process.

Paper 82/18 noted.