

SCOTTISH WATER BOARD MEETING MINUTES

Date	2nd May 2018
Start Time	10.00am
Finish Time	1.15pm
Place	Lauriston Room, Castle House, Dunfermline

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
	Mrs Deirdre Michie	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 Rodger Mayor	Deloitte LLP (Item 8(i) only)
	Mr Gavin Quantock	Deloitte LLP (Item 8(i) only)
	Mr John Telfer	Head of PFI (Items 8(i) & 9(i) only)
	Ms Ellen Robertson	Senior Project Manager, PFI Team (Item 8(i) only)
	Mrs Shirley Campbell	Director of People (Item 9(iv) only)

PART I

1. APOLOGIES

There were no apologies received.

The Chair welcomed Mr Marnoch to the Board.

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 28th March 2018
The draft Minutes of the Board meeting held on 28th March 2018 were approved.

Paper 39/18 approved.

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 26th March 2018
The draft Minutes of the Remuneration Committee meeting held on 26th March 2018 were noted.

Paper 40/18 noted.

- (iii) Draft Minutes of the Audit Committee Meeting held on 27th March 2018
The draft Minutes of the Audit Committee meeting held on 27th March 2018 were noted.

Paper 41/18 noted.

- (iv) Draft Minutes of the Audit Committee Meeting held on 2nd May 2018
Mr Coyle, Chair of the Audit Committee, provided a verbal report of the meeting held on 2nd May 2018.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) are on a declining trend although still better than average UK water industry performance. Mr Farrer 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. Mr Scott provided an update to the Board in relation to the health and safety incident at Whitburn Waste Water Treatment Works on 31st January 2018 and Mr Farrer advised the Board of the current position in relation to the incident at Prestonpans on 9th June 2017.

Overall Scottish Water sickness absence rate is stable at 2.87%. Long term absence has continued to decrease during March and is currently at 1.92%, whilst short-term sickness absence has increased slightly to 0.95%. The three most common reasons for sickness absence during the last twelve months are mental health, musculoskeletal disorders and respiratory system issues. Optional 30-minute health screening appointments are being offered to employees at Scottish Water's main offices through Scottish Water's new occupational health provider, Duradiamond. Health screening appointments will be offered to employees in rural locations through Duradiamond's mobile unit service later in the year. Executive health checks will be made available to the Executive Leadership Team and the Senior Leadership team from May 2018. Following a query from the Board regarding the frequency of employee health screening, Mr Farrer advised that this would be covered in more detail during the Board Workshop on Safety, Health and Wellbeing in June 2018.

Action 1 – Mr P Farrer

Paper 42/18 noted.

4.1 2017/18 SAFETY, HEALTH & WELLBEING ANNUAL REPORT

Mr Farrer provided an overview of progress on safety, health and wellbeing, noting that, for the first time in eight years, there has been an increase in both RIDDOR and LTA incidents within Scottish Water in the course of 2017/18. He outlined the safety improvement initiatives completed in the course of the year and the initiatives underway to improve safety performance. The Board discussed the importance of continually reviewing the approach, whilst ensuring that any changes are carefully considered. In response to a query from the Board in relation to governance of the Safety, Health & Wellbeing strategy, Mr Farrer outlined the governance structure, explaining that this ensures that the strategy is integrated across

all three areas. He highlighted progress in health and wellbeing, noting the impact of Scottish Water's participation in the Global Challenge initiative, with improved levels of health and wellbeing being recorded among participants.

Paper 43/18 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, reporting excellent overall performance, with record levels of customer service and environmental performance. He advised that Scottish Water recently hosted the President of Malawi at Glencorse Water Treatment Works. Scottish Water has agreed to review its plans for the future of waste water treatment in Gairloch in light of the local community's concerns. A stakeholder group will be established under the leadership of the local MSP, as independent chair, and will involve representatives from the local community, Scottish Water and the Scottish Environment Protection Agency (SEPA). On 17th April 2018, the Chair, Chief Executive, Chief Operating Officer and Director of Strategic Customer Service Planning, together with the Chief Executive of Business Stream, appeared before the Environment, Climate Change and Land Reform Committee of the Scottish Parliament to provide evidence on Scottish Water's Annual Report. The Spring series of SWOne events for managers and team leaders has commenced and is focussed on achievement of Scottish Water's ambitions and the transformation required to prepare for the next regulatory period, SR21. The Board noted that the first edition of Scottish Water's new print publication, "SW", was launched in May 2018. In response to a query from the Board, Mr Millican agreed to consider further distribution of this publication.

Action 2 – Mr D Millican

Paper 44/18 noted.

6. FINANCE REPORT

Mr Scott reported that, to 31st March 2018, regulated profit before tax (PBT) at £127.4m was £30.5m above budget and £0.2m lower than forecast. Sales were £17.6m higher than budget, with total expenditure £9m below budget and interest £3.9m below budget. Gross capital investment to March was £646.6m, £16.6m higher than budget and within the forecast range. Mr Scott advised that, as a result of quality control checks conducted as part of the year-end process, the final profit will increase by £3m - £3.5m. Excluding the write-down of household bad debts in February 2018, the amount billed to household customers was £4.7m higher than budget at £860.1m, due mainly to the increase in new connections in the year. Cash collected from household customers was £7.9m higher than budget at £841m. Government loans at the end of March were in line with budget at £3,543.3m, with £92.6m of new loans drawn down in March.

Paper 45/18 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month household CEM (hCEM) score for March 2018 was 85.01, a significant decrease from the previous month's score of 86.60, due largely to an increase in service issue contacts arising from the operational impact of severe weather and decreases in the no experience no contact and experience no contact scores. Mr Farrer noted that the level of service issue contacts increased by over 7,000, the highest volume of

calls throughout the year. The year to date (YTD) score has reduced to 86.36, which is below the year-end business stretch target of 86.50, but represents a further 3.3% reduction in lost points from 2016/17. The Customer Experience Score in March increased to 92.96%, with the 2017/18 end of year score reaching 91.6%, 0.6% above target, representing a 0.9% increase from 2016/17. In particular, Mr Farrer highlighted that Septic Tank services ended the year on 95.4% YTD satisfaction, a 2.5% improvement from the previous year and the highest result for all job types. The in-month non-household CEM (nhCEM) score decreased from 78.21 in February to 74.55, due mainly to an increase in the volume of escalations and a decrease in the average scores from the Licensed Provider Survey and the Developer Operations Survey. The YTD score of 77.50 is above the year-end target of 77.00.

Mr Farrer 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 “turn of flows” through the new permanent rising main installation was achieved on 5th April 2018, eight days later than scheduled, due mainly to weather delays and difficult ground conditions which required additional equipment to be deployed to allow safe excavation and installation of the new main. The customer has not yet agreed to Scottish Water conducting internal noise and vibration monitoring, but previous external test results for the temporary main indicated a significant reduction in ground-borne vibration and further testing has now been arranged to confirm the external levels of ground-borne vibration from the new permanent main. Mr Farrer has offered to meet with the customer to ensure that all outstanding matters are resolved satisfactorily.

Paper 46/18 noted.