

SCOTTISH WATER BOARD MEETING MINUTES

Date	22nd February 2017
Start Time	10.00am
Finish Time	1.10pm
Place	Lauriston Room, Castle House

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 James Spowart	Board Member
	Mr Andrew Wyllie	Board Member
	Mr Paul Smith	Board Member
Mr Jim Coyle	Board Member	
In attendance:	Prof Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mrs Shirley Campbell	Director for People (Item 8(iv))

PART I

1. APOLOGIES

Apologies were received from Mrs Lynne Peacock.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Wyllie declared his interest in the Shieldhall Tunnel Project and it was agreed that he should withdraw from the meeting and take no part in discussions on this matter (Item 8(ii), Appendix 3).

3. BOARD MINUTES (Part I)

The draft Minutes of the Board Meeting held on 25th January 2017 were approved. It was noted that the action had been implemented.

Paper 12/17 noted.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer advised that there has been no change in the overall KPI position compared to the last reported position in December 2016. In relation to the H&S incident summaries contained within the report, root cause analysis and executive reviews have been undertaken and the lessons learned were being implemented as set out in the report. The Board noted

the significant reduction in H&S incidents and Mr Farrer explained that this was due to implementation of the previous Health & Safety Action Plan, particularly the behavioural safety campaign and the constant focus on leadership. Scottish Water is continuing to drive behavioural safety through the new Safety, Health & Wellbeing strategy and is focused upon continually improving health and safety performance.

Paper 13/17 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report. He noted that Scottish Water, the Water Industry Commission for Scotland and Citizens Advice Scotland have now agreed the co-operation agreement for the operation of the Customer Forum for the Strategic Review of Charges 2021-2027 (SR21). Peter Peacock has accepted the joint invitation to chair this new Customer Forum. On 14th February 2017, the Chief Operating Officer hosted a visit by Roseanna Cunningham MSP, Cabinet Secretary for Environment, Climate Change and Land Reform, to Glencorse Water Treatment Works, at which she announced that Scottish Water is generating and hosting more renewable electricity from Scottish Water assets than is consumed in total operations. Mr Millican advised that Scottish Water is working with the Energy Saving Trust to encourage water efficiency. Water saving packs, including a brochure explaining the link between hot water use and energy bills, will be distributed to around 50,000 customers in drought prone areas. The next step will be providing water saving devices to selected households to test their effectiveness. Mr Millican noted that the Director of External Communications is developing a plan to communicate this initiative.

Paper 14/17 noted.

6. FINANCE REPORT

Mr Scott reported that, to 31st January 2017, regulated profit before tax (PBT) at £90.9m was £22.1m above budget. Sales were £13.7m higher than budget, with total expenditure £5.2m below budget and interest £3.2m below budget. The regulated outturn PBT is forecast to be £29.1m higher than budget at £102.8m and the range has been narrowed by £2m since January to £98m-£109m. Gross capital investment to January was £529.2m, £55.8m higher than budget. The forecast gross capital expenditure has increased by £10m to £630m, within a range of £610m-£640m. The amount billed to household customers was £4.8m higher than budget at £842m and cash collected from household customers was £2.9m higher than budget at £753.1m. Government loans at 31st January 2017 were £161.3m higher than budget at £3,276.4m. Scottish Water Horizons' PBT to 31st January 2017 was £461k, £772k behind budget. The reduction in profit was caused by a £456k shortfall in Project Delivery, a £423k reduction from Operations and a £407k shortfall from Business Development. The full year forecast profit before interest and tax of £1m is unchanged. Scottish Water International's PBT to 31st January 2017 was £283k higher than budget at £343k. Operating costs for all projects were lower than budget with exchange rate gains, reflecting the lower valuation in Sterling, adding £35k to profits.

Paper 15/17 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month hCEM score for January increased by 0.71 points to 87.97, largely as a result of a significant reduction in Service Issue Contacts and continued strong performance in the Customer Experience Survey, supported by the introduction of the “Journey to 92” campaign, which launched on 28th November 2016 with a challenge to achieve 92% satisfaction in 92 days. Phone contacts in January reduced to the lowest number recorded and there has been a notable reduction in call wraps and message link contacts, particularly in relation to water contacts which appears consistent with the reduction in water-related operational incidents. The YTD hCEM score has increased to 85.62. Mr Farrer noted the upward trend in the hCEM score but highlighted the contribution of the benign weather conditions experienced over the winter period. In light of the current YTD performance, the hCEM forecast range for 2016-17 is 85.4–85.9 with a current central forecast of 85.78 against the Business target of 85.87. Mr Farrer updated the Board in relation to a customer complaint which was upheld by the Scottish Public Services Ombudsman (SPSO) in January 2017 and explained that this was a private water supply issue. Mr Farrer advised the Board of the approach being taken in the early stages of the Engage 21 programme to secure quantitative and qualitative feedback from a range of customers in order to understand their priorities and inform the Business Plan process.

Paper 16/17 noted.