

SCOTTISH WATER BOARD MEETING MINUTES

Date	30th August 2017
Start Time	10.35am
Finish Time	2.10pm
Place	Geography Room, Stirling Highland Hotel, Stirling

Present:	Lady Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan P Scott	Finance Director
	Mrs Lynne Peacock	Board Member
	Mr Alan Bryce	Board Member
	Mr Matt Smith	Board Member
	Mr Paul Smith	Board Member
	Mr James Coyle	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	Corporate Secretary and Group Legal Counsel

PART I

1. APOLOGIES

There were no apologies.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mr Lanaghan declared that he is an independent member of the panel to appoint the audit chair of the United Kingdom Atomic Energy Authority.

Mr P Smith declared that he is advising Cyberhawk Limited, one of Scottish Water's drone providers, through his company, PRS Energy Solutions Limited.

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 28th June 2017
The draft Minutes of the Board Meeting held on 28th June 2017 were approved.

Paper 77/17 approved.

- (ii) Draft Minutes of the Audit Committee Meeting held on 29th August 2017
Mr James Coyle, Chair of the Audit Committee, provided a verbal report of the Audit Committee meeting held on 29th August 2017.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper, reporting that safety performance is on an improving trend and overall Scottish Water sickness absence has stabilised at 2.94%. Long-term absence increased slightly at 2.14%, with short-term sickness absence at 0.8%. Mr Farrer noted that the introduction of nurse-led absence management in Autumn 2017, together with new occupational health procedures, will assist in addressing absence levels. 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 Board discussed the importance of ensuring a continuous focus on behavioural safety and Mr Farrer advised that the Health & Safety team is currently developing a programme of sustained behavioural safety training. Mr Farrer provided an update to the Board on progress in relation to the Safety, Health & Wellbeing Strategic Action Plan, highlighting the installation of an enhanced driver feedback vehicle telematics system.

Paper 78/17 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, noting that Roseanna Cunningham MSP, Cabinet Secretary for Environment, Climate Change and Land Reform, visited Thurso Wastewater Treatment Works and Gorthleck Development Centre during August 2017. A series of 21 regionalised "Vision in Focus" events will take place this Autumn, where the Executive Leadership Team will meet with Scottish Water employees. Mr Millican updated the Board on the Digital Technology Partners Procurement. The process will move to stage two of the Invitation to Negotiation (ITN) process in early September 2017.

Paper 79/17 noted.

6. FINANCE REPORT

Mr Scott presented the forecast out-turn for the year to 31st March 2018, advising that regulated out-turn profit before tax (PBT) is forecast to be £16.1m higher than budget at £113m within a range of £100m to £126m, excluding exceptional items. Revenue is forecast to be £6.7m higher than budget, with total expenditure £8.9m lower than budget and interest £0.5m lower than budget. Regulated operating costs are forecast to be £1.5m lower than budget at £395.3m. The forecast range for operating costs is £392m to £397m.

Mr Scott reported that, to 31st July 2017, regulated PBT at £46.9m was £7.2m above budget. Sales were £3.1m higher than budget, with total expenditure £3.9m below budget and interest £0.2m lower than budget. Gross capital investment to July was £217m, £1.2m higher than budget.

Mr Scott advised the Board of the proposed disposal of shares held by Scottish Water Horizons Limited in the Edinburgh Waste Project, noting that this transaction will be presented to the Board in due course for ratification.

Further to approval of the updated Scottish Water Group counterparty list at the Board meeting on 31st May 2017, Mr Scott advised that he and Mrs Campbell would sign the necessary Board resolution and documentation to open a Scottish Water account with Svenska Handelsbanken.

Paper 80/17 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer advised that the in-month Household CEM (hCEM) score for July 2017 was 85.86, a decrease from the previous month's score of 86.90. This reduction was largely due to a decrease in the Customer Experience Survey Score and Perception Survey results. The year to date (YTD) score of 86.69 remains above the previous year's position and above the target of 86.50. Mr Farrer noted that there has been a reduction in Service Issue Contacts and that the number of formal household complaints decreased from 60 in June to 52 in July. He reported that, in July, the Scottish Public Service Ombudsman (SPSO) partially upheld a complaint relating to a private water supply interruption attended by Scottish Water. The Board noted that the actions required to fulfil the SPSO recommendations have been completed. The in-month Non-Household CEM (nhCEM) score for July increased by 1.3 points to 78.9, which led to an increase in the YTD score to 78.35, due mainly to improvements across all qualitative measures, namely the Licensed Provider Experience Survey, the Developer Connections Survey and the Business End User Experience Survey. Mr Farrer updated the Board on the progress of the Ascend Customer Experience Improvement Programme.

Paper 81/17 noted.