

## SCOTTISH WATER BOARD MEETING MINUTES

<b>Date</b>	<b>3<sup>rd</sup> May 2017</b>
<b>Start Time</b>	<b>10.00am</b>
<b>Finish Time</b>	<b>2.50pm</b>
<b>Place</b>	<b>Lauriston Room, Castle House</b>

<b>Present:</b>	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 Jim Coyle	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
<b>In attendance:</b>	Prof Simon Parsons	Strategic Customer Service Planning Director
	Mr Mark Dickson	Director of Capital Investment
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr John Telfer	Head of PFI (Item 8(i) only)
	Mr Paul Sexton	Alliance Management General Manager (Item 8(ii) only)
	Mrs Shirley Campbell	Director for People (item 8(iii) & (iv) only)
	Mr Rob Mustard	Director of Technology, Information & Business Change (Item 9(i) only)
	Mr John Cairney	Head of IT Strategy & Architecture (Item 9 (i) only)

### PART I

#### 1. APOLOGIES

There were no apologies. The Chair welcomed Mrs Barber and Mr Lanaghan to the Board. Mrs Peacock left the meeting at 1.45pm.

#### 2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

There were no interests which required declaration or registration.

#### 3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 29<sup>th</sup> March 2017  
The draft Minutes of the Board Meeting held on 29<sup>th</sup> March 2017 were approved.

**Paper 36/17 approved.**

- (ii) Draft Minutes of the Audit Committee Meeting held on 28<sup>th</sup> March 2017  
The draft Minutes of the Audit Committee Meeting held on 28<sup>th</sup> March 2017 were noted.

**Paper 37/17 noted.**

- (iii) Draft Minutes of the Special Remuneration Committee Meeting held on 29<sup>th</sup> March 2017  
The draft Minutes of the Special Remuneration Committee Meeting held on 29<sup>th</sup> March 2017 were noted.

**Paper 38/17 noted.**

- (iv) Draft Minutes of the Special Audit Committee Meeting held on 3<sup>rd</sup> May 2017  
Mrs Peacock, Chair of the Audit Committee, provided a verbal report of the Special Audit Committee meeting held on 3<sup>rd</sup> May 2017.

#### **4. SAFETY, HEALTH & WELLBEING REPORT**

Mr Farrer advised that there has been no further change in the overall KPI position at year end compared to the last reported position in February 2017. 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.

**Paper 39/17 noted.**

##### **4.1 SAFETY, HEALTH & WELLBEING - ANNUAL REVIEW 2016/17**

Mr Farrer provided an overview of progress on Safety, Health & Wellbeing and highlighted the positive trend in Scottish Water's health and safety performance. Strong results were achieved in the Your Voice employee opinion survey, with 92% of employees agreeing that Scottish Water has a strong health and safety culture and 77% of employees agreeing that Scottish Water is committed to their personal wellbeing and resilience. Noting the positive results, the Board discussed the importance of establishing why some employees may be neutral or disagree. Mr Farrer explained that a detailed report is reviewed, including verbatim comments, and Your Voice action plans are generated at corporate, directorate and general manager levels. Mr Farrer advised that most of the key H&S targets have been achieved, with the exception of the LTFRs associated with the main delivery vehicles. He noted that there has been a significant increase in the hours worked and a change in the balance of work from planning and design to construction projects starting on site. Analysis of Scottish Water employee accidents shows that slips, trips and falls remain the predominant root cause of accidents, followed by manual handling and being hit by moving, flying or falling objects. In all three cases, the trends have reduced since 2015/16 and there is a continuing focus on training, awareness and behavioural safety in these areas. The Board noted the reduction in LTAs and discussed the next phase of reporting to provide visibility of all accidents across Scottish Water as a whole. In response to a query from the Board, Mr Farrer confirmed that an update on governance of the Safety, Health & Wellbeing strategy would be provided in the next report.

**Paper 40/17 noted.**

**5. CEO REPORT - PAAG**

Mr Millican highlighted the key issues arising out of the report, advising that, during a visit to Westminster on 19<sup>th</sup> April 2017, positive feedback had been received from MPs about Scottish Water's role within local communities and the wider Scottish economy. Mr Millican provided an update on performance, noting that all key regulatory targets have been achieved. He highlighted a 30% reduction in complaints and noted the lowest-ever level of interruptions to supply.

**Paper 41/17 noted.**

**6. FINANCE REPORT**

Mr Scott reported that regulated profit before tax (PBT) at £107.5m was £33.8m above budget and £2.7m above forecast. Sales were £18.6m higher than budget, with total expenditure £3.2m below budget and interest £12m below budget. Gross capital investment to March was £626.6m, £46.5m higher than budget. Investment during March was £18.7m lower than budget at £40.1m. The amount billed to household customers was £5.7m higher than budget at £840.1m and cash collected from household customers was £8.9m higher than budget at £819.6m. Government loans at 31<sup>st</sup> March 2017 were as budget at £3,424.3m. Scottish Water Horizons' PBT for the year was £1.01m, in line with forecast and £0.5m behind budget. The reduction in profit was caused by a shortfall in Project Delivery, Operations and Business Development. Scottish Water International's PBT for the year at £365k was £294k higher than budget and £69k above forecast. Operating costs for all projects were lower than budget with exchange rate gains reflecting the lower valuation in Sterling, adding £38k to profits.

**Paper 42/17 noted.**

**7. CUSTOMER SERVICE DELIVERY REPORT**

Mr Farrer advised that a year end position of 85.88 had been achieved in Household CEM (hCEM), a marginal outperformance against the business plan target of 85.87, representing a 10% reduction in lost points over the year. The in-month hCEM score for March decreased by 0.97 points to 86.12, largely as a result of an increase in service issue contacts and an increase in formal complaints, which was partly offset by a continued increase in satisfaction as measured in the Customer Experience Survey. Mr Farrer updated the Board on development of the Non Household Customer Experience Measure (nhCEM), which follows a similar structure to the hCEM and will track customer satisfaction with services provided to licensed providers, developers and business end-users. Business and Delivery Plan nhCEM targets will be set for 2018/19, with a data set agreed by the end of Q2 2017/18. In the interim, an internal target of 10% reduction in lost points has been set, which is consistent with that initially set for hCEM. Mr Farrer provided details of the nhCEM measure and advised that monthly performance will be reported in future Customer Service Board papers.

**Paper 43/17 noted.**