

SCOTTISH WATER BOARD MEETING MINUTES

Date	26th February 2019
Start Time	10.00am
Finish Time	1.00pm
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
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital
	Mrs Nicola Galbraith	Corporate Secretary and Legal Counsel

PART I

1. APOLOGIES

Apologies were received from Mr Ken Marnoch, Board Member and Mrs Claire Marshall.

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 30th January 2019
The draft Minutes of the Board meeting held on 30th January 2019 were approved.

Paper 12/19 approved.

4. SAFETY, HEALTH & WELLBEING REPORT

Mr Farrer presented the paper reporting that the Lost Time Frequency Rate (LTFR) and Notifiable Incident Rate (RIDDOR) both showed an improvement from 2017/18 performance. High Potential Incidents (HPIs) were higher than 2017/18 due to additional incidents such as road traffic accidents now being recorded. The Overall Scottish Water sickness absence rate also shows improvement with the percentage of physio referrals being very slightly behind target.

Mr Farrer explained the background to and the issues arising from the H&S incidents set out in the report. Mr Farrer provided an update to the Board in relation to the H&S incident at Sinclair Street, Glasgow advising that there had been a second incident at the site involving a member of the public who had tripped on a kerb ramp which had not been secured in accordance with appropriate procedures. The Board noted that an embargo on footpath works by the contractor remains in place pending completion by the contractor of all improvement plan action points. Following a query from the Board, Mr Farrer confirmed that the action plan focuses on changing behaviours at the appropriate level. It was noted that an additional stand down event had been held by the contractor with their employees and that up until the incident Scottish Water had been satisfied with the contractor across all performance indicators. Mr Farrer also advised the Board of the safety stand-down event currently ongoing throughout Scottish Water engaging teams on effective communication and how to have a positive safety conversation.

Mr Scott provided an update to the Board in relation to the Veolia fatality at Whitburn PFI Waste Water Treatment Works on 31st January 2018. A working group set up following the incident may be asked to share any recommendations for changes to industry standard working practices.

Paper 13/19 noted.

5. CEO REPORT - PAAG

Mr Millican highlighted the key issues arising out of the report, providing an overview of performance. He advised that following a recent meeting with Sue Petch, the Drinking Water Quality Regulator (DWQR), that enforcement notices are expected requiring investment at a small number of sites. Mr Millican gave an update on the Eela Water water quality incident noting that DWQR were visiting the site this month. Mr Millican also noted the progress with SR21 strategic plan with very good engagement from all parties.

Mr Millican advised the Board of a number of parliamentary questions raised regarding compensation paid by Scottish Water as a part of their capital programme. Work is ongoing in relation to compilation of responses. Historical internal flooding problems at Prestwick were also discussed and Mr Millican advised the Board of the limited circumstances in which Scottish Water may consider the purchase of properties in order to alleviate internal flooding issues. In response to a query from the Board, Mr Millican confirmed that Scottish Water policy on valuation, relocation and compensation is clear and consistently applied in these circumstances. The Board discussed compensation and the processes in place to ensure consistency of approach across the business. Mr Millican also advised the Board of a legal challenge in relation to the WWTW at Boat of Garten and explained the background to the case and the legal proceedings to date. The Board discussed the case, noting site specific issues. Proceedings have not yet been concluded and ongoing work is being dealt with by Mr Farrer. The Board also discussed ongoing proactive work by Scottish Water on the request of the DWQR following an initiative by the Scottish Government, to assist in the location of lead pipes at schools and nurseries.

Mr Farrer updated the Board in relation to Brexit contingency planning. In response to a query from the Board, Mr Farrer confirmed that the health and safety requirements of storage of additional chemicals and other materials had been addressed. Concerns of the UK water industry as a whole were also discussed and the systems in place for mutual assistance. Mr Farrer also advised the Board on the outcome of the recent Water UK Emergency Exercise.

Paper 14/19 noted.

6. FINANCE REPORT

Mr Scott reported that, to 31st January 2019 regulated profit before tax (PBT) at £92.8m was £5.8m above budget. Sales were £9.5m higher than budget, with total expenditure £5.3m higher than budget due mainly to the hot and dry weather. Gross capital investment to January was £537.9m, £37.1m lower than budget but within the expected range. The Board noted that the out-turn forecast PBT for the year to 31st March 2019 had been revised to £104.1m, £5.8m higher than budget. This reflected higher income and lower interest charges being partially offset by higher operating costs. On exceptional items, the Board discussed the inflated chemical prices and noted that the requirement to purchase chemicals had coincided with the renewal of contracts with a limited number of chemical suppliers. It was noted that the UK water industry are currently looking at a more robust supply chain for provision of chemicals and that scanning for Brexit related implications is an ongoing task being undertaken by the business.

Paper 15/19 noted.

7. CUSTOMER SERVICE DELIVERY REPORT

Mr Farrer reported a steady recovery since the adverse weather conditions of 2018 and advised that the in-month Household CEM (hCEM) score for January 2019 was 87.80 a decrease from the previous month's score of 90.24, as a result of the strategic water main burst in Bearsden. Despite this the forecast remains to exceed the Business Plan target of 87.17 with a forecast of 87.36. This incident is likely also to affect the February figures due to the ongoing likelihood of claims. Mr Farrer also advised that whilst the in-month Non-Household CEM (nhCEM) score decreased in January to 85.46 it remains above the stretch target and a year-end outcome of 80.66 is being forecasted.

Mr Farrer also reported on the results of the Institute of Customer Service UKCSI (UK Customer Satisfaction Index) Survey of January 2019. The Board noted that Scottish Water placed 5th out of 31 utility companies included in the survey and was the 2nd highest water company, an improvement from 3rd place on the previous survey. Across all sectors in Scotland, Scottish Water are placed 8th. Overall the results of the survey present a very positive position for Scottish Water.

Paper 16/19 noted.