

SCOTTISH WATER BOARD MEETING MINUTES

Date	27th October 2021
Start Time	11.30am
Finish Time	2.10pm
Place	Zoom Video Call

Present:	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Alan P Scott	Finance Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Steven Dickson	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member
	Mrs Deirdre Michie	Board Member
	Mr James Coyle	Board Member (Items 1 – 4(v) only)
In attendance:	Professor Simon Parsons	Director of Strategic Customer Service Planning
	Mr Mark Dickson	Director of Capital Investment
	Mr Rob Mustard	Director of Digital & Transformation
	Mrs Shirley Campbell	Director for People
	Mr Brian Lironi	Director of Corporate Affairs
	Mrs Emma Campbell	Corporate Secretary and Group Legal Counsel
	Mr Kevin Roy	Customer Service General Manager (Item 4(iii) only)

PART I

1. APOLOGIES

There were no apologies received. The Chair noted that Mr Coyle would leave the meeting at 1.15pm.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mrs Deirdre Michie noted her interest in relation to GAP Group Limited and confirmed that this had been disclosed in the Register of Declared Interests.

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 25th August 2021
The draft Minutes of the Board meeting held on 25th August 2021 were approved.

Paper 105/21 approved.

- (ii) Draft Minutes of the Board Workshop held on 24th August 2021
The draft Minutes of the Board Workshop held on 24th August 2021 were approved.

Paper 106/21 approved.

(iii) Draft Minutes of the Audit Committee Meeting held on 24th August 2021

The draft Minutes of the Audit Committee meeting held on 24th August 2021 were noted.

Paper 107/21 noted.

4. OPERATIONAL & REGULATORY

(i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper. He reported that the RIDDOR Injury Frequency Rate and Lost Time Frequency Rate (LTFR) were slightly higher than target and the Total Recordable Injury Rate (TRIR) was on a stable trend. The Board considered the analysis undertaken in relation to contractor RIDDOR incidents over the past 12 months, noting the role of human factors. Mr Farrer advised that Scottish Water is working with its supply chain on a range of health and safety improvement projects and confirmed that health and safety performance, including the RIDDOR frequency rate, is a key focus area for the Capital Investment Safety, Health & Wellbeing Steering Group. The Board noted the increase in hazard identification following implementation of the new Health & Safety Information Management System.

Mr Farrer explained the background to and the issues arising from two incidents in July and September which had been assessed as significant or offered an opportunity for wider business learning. He noted a correction to the Yarrow Fishery incident summary, following the director-led review conducted by Mr M Dickson. Following a question from the Board, Mr Farrer explained the scope of director-led reviews, noting that these encompass both the individual's actions and the culture on site. Further to a suggestion from the Board, it was agreed that future Health & Safety incident reports would identify any infringements of the Life-Saving Rules.

Action 1 – Mr P Farrer

Mr Farrer updated the Board on Scottish Water's Mental Health First Aid (MHFA) Network.

Paper 108/21 noted.

(ii) Chief Executive Report

Mr Millican reported that Scottish Water continues to operate under COVID-19 transition mode using well-established business continuity arrangements. The overall situation is stable, with an ongoing focus upon ensuring that all work and welfare interactions can be carried out safely.

The Board noted the current water resources position. Mr Millican provided an update on performance. He highlighted an increase in Environmental Pollution Incidents (EPIs), due primarily to the impact of severe weather. Professor Parsons presented an analysis of the Category 1 and 2 EPIs to date, outlining the work being undertaken by Scottish Water to build intelligent networks by installing additional sensors, initially in priority catchments. The Board noted the carry-over effects of the winter freeze on leakage levels. Whilst leakage performance improved in September following implementation of the recovery plan, Mr Millican advised that additional resources would be deployed as required to achieve the full year leakage targets.

The Board noted that nearly 2,000 employees joined a Teams Live Transformation broadcast in September and the Scottish Water Transformation story will be launched at all-employee events in early November 2021. In response to a query from the Board, Mr Lironi provided an update on Scottish Water's virtual Annual Consultative Meeting 2020/21 and advised that participation data would be circulated to the Board.

Paper 109/21 noted.

(iii) Customer & Community Performance Update

Mr Farrer introduced the paper, providing an overview of the key customer and community performance metrics. Mr Roy advised the Board of the customer service challenges faced in the year to date and outlined the service recovery actions, highlighting the 'Close the Loop' initiative. Further to a query from the Board, Mr Roy confirmed that remote diagnosis and resolution has been facilitated through Project SWIFT (Scottish Water Intelligent Field Transformation). He outlined the savings to date and the scope for increased focus upon proactive activities.

Paper 110/21 noted.

(iv) Finance Report

Mr Scott presented the paper, reporting that the Tier 1 contribution to 30th September 2021 was £13m higher than budget at £209m, reflecting an estimated net impact from the COVID-19 pandemic of £1.5m. The amount billed to household customers was £3.5m higher than budget at £941.4m and cash collected was £20.4m higher than budget at £506.9m. Cash as at 30th September 2021 was £350m, £40m higher than budget.

The full year forecast has been updated to reflect higher Tier 1 revenue of £3.7m and reduced Tier 1 costs, before interest and tax, of £1.3m. The full year forecast Tier 1 contribution for the year to 31st March 2022 is now forecast to be c.£15m higher than budget at c.£396m, within the ranges presented to the Board at its meeting in August 2021. The Board noted the key sensitivities. In particular, Mr Scott highlighted the potential for increased costs at Levenmouth PFI due to the likelihood of high gas indexation adjustments and higher electricity costs at Dalmuir and other PFI sites. In response to a question from the Board, Mr Scott explained the process, should a Licensed Provider fail to make payment of wholesale charges. He advised that Scottish Water would have full protection against bad debt risk following the reintroduction of two months' prepayment in December 2021 and noted that the current level of protection, following reinstatement of one month's prepayment in July 2021, is c.80%.

Mr Scott advised the Board that the planned increase to the corporation tax rate has now been enacted, resulting in a significantly higher statutory tax charge (c.£140m) and a loss after tax of just over £100m at the half year. He noted that the full revised forecast for the year would be presented to the Board at its meeting on 1st December 2021, together with the Performance & Prospects Report to 30th September 2021.

Paper 111/21 noted.

(v) Regulatory Update

Professor Parsons presented the paper, informing the Board of relevant economic regulatory, drinking water quality and environmental issues, SPSO complaints and Data Protection updates. The Board noted that the Drinking Water Quality Regulator (DWQR) has requested a Letter of Commitment relating to the manganese issues at Daer Water Treatment Works, together with a second Letter of Commitment to develop a national manganese management strategy. Responses to both requests have been sent to DWQR for consideration.

Professor Parsons advised that the Scottish Environment Protection Agency (SEPA) and Scottish Water have jointly committed to develop a detailed proposal covering short and longer-term activities to support improvements in Combined Sewer Overflows (CSOs).

Paper 112/21 noted.