

## SCOTTISH WATER BOARD MEETING MINUTES

**Date** 28<sup>th</sup> April 2021  
**Start Time** 10:20am  
**Finish Time** 1:30pm  
**Place** Zoom Video Call

<b>Present:</b>	Dame Susan Rice	Chair
	Mr Douglas Millican	Chief Executive
	Mr Alan P Scott	Finance Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Matt Smith	Board Member
	Mr Paul Smith	Board Member
	Mrs Samantha Barber	Board Member
	Mr Iain Lanaghan	Board Member
	Mr Ken Marnoch	Board Member (Items 1 – 4(i) only)
	Mrs Deirdre Michie	Board Member
	Mr James Coyle	Board Member
<b>In attendance:</b>	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

### PART I

#### 1. APOLOGIES

The Chair noted that Mr Marnoch required to leave the meeting at 10:50am.

#### 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 31<sup>st</sup> March 2021  
The draft Minutes of the Board meeting held on 31<sup>st</sup> March 2021 were approved.

**Paper 48/21 approved.**

- (ii) Draft Minutes of the Remuneration Committee Meeting held on 22<sup>nd</sup> March 2021  
The draft Minutes of the Remuneration Committee meeting held on 22<sup>nd</sup> March 2021 were noted.

**Paper 49/21 noted.**

(iii) Draft Minutes of the Audit Committee Meeting held on 30<sup>th</sup> March 2021

The draft Minutes of the Audit Committee meeting held on 30<sup>th</sup> March 2021 were noted.

**Paper 50/21 noted.**

(iv) Draft Minutes of the Transformation Workshop held on 30<sup>th</sup> March 2021

The draft Minutes of the Transformation Workshop held on 30<sup>th</sup> March 2021 were approved.

**Paper 51/21 approved.**

**4. OPERATIONAL**

(i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate, Lost Time Frequency Rate (LTFR), Total Recordable Injury Rate (TRIR) and High Potential Incidents (HPI) are on an improving trend. He advised that, whilst no incidents were assessed as significant or offering an opportunity for wider business learning in March, an incident which occurred in February has since been assessed as significant. He confirmed that a Director-led review has been carried out. In response to a query from the Board, Mr Farrer highlighted the ongoing focus on behavioural safety and the wider learning for Scottish Water in relation to the health and safety management of specialist contractors.

Mr Farrer reported that overall sickness absence reduced slightly during March 2021, confirming that this is consistent with general external trends. The percentage of physio referrals to assessment within three days remains 100%. Whilst the percentage of new instances of absence attributable to mental health issues has increased in comparison to the equivalent period in 2019, this is in the context of a trend of declining total sickness absence, with 20 instances recorded in March 2021, compared to 15 instances in March 2020. The Board considered the results of the SW Cares weekly sentiment analysis. Mr Farrer noted that overall sentiment is positive and continues to increase, highlighting in particular improved sentiment among field and site-based employees.

**Paper 52/21 noted.**

(ii) Safety, Health & Wellbeing Annual Review

Mr Farrer presented the paper, providing an overview of Safety, Health and Wellbeing performance during 2020/21 and the priorities for action during 2021/22. He explained that the Safety, Health & Wellbeing strategy would be refreshed in 2021/22, with the opportunity for Board members to provide input through a Board sub-group. In response to a query from the Board, Mr Farrer outlined the reduction in the number of safety incidents involving members of the public and confirmed that this comparison had been undertaken on a like-for-like basis. The Board commended the work undertaken by the People Directorate in relation to wellbeing throughout 2020/21, noting in particular the positive contribution of the SW Cares weekly sentiment survey and the monthly SW Cares bulletin.

In response to a question from the Board, Mr Farrer outlined the process which applies in relation to positive drug and alcohol tests. Further to a query from the Board, Mr Dickson noted that contractors' Health and Safety policies, including in relation to drug and alcohol testing, are checked at the point of procurement. Mr Farrer confirmed that Scottish Water's Operational Alliance contractors have robust policies and procedures in relation to the management of drugs and alcohol.

Following a question from the Board, Mrs S Campbell advised that the average length of absence due to vaccination recovery is 2.2 days. She explained that comparative benchmarking data is limited as this absence category was created by FirstCare following a request by Scottish Water.

**Paper 53/21 noted.**

(iii) Chief Executive Report

Mr Millican reported that Scottish Water continues to operate under COVID-19 transition mode using well-established business continuity arrangements. He advised that the overall situation is generally stable but noted the continued pressure on our people arising from the ongoing restrictions. The Board discussed the development of Scottish Water's proposed approach to new hybrid working arrangements. In response to a query from the Board, Mrs S Campbell explained that the weekly SW Cares sentiment analysis provides information as to the differing experiences of our people and the potential for different reactions will be considered as part of the proposals.

Mr Millican provided an update on performance, noting that the final OPA score increased to 405 +/-1. He explained that the +/-1 range reflects the impact of agreed changes to the normal sampling and monitoring regimes as a result of COVID-19 restrictions. The Board noted continuation of the long-term trajectory of year-on-year reductions in leakage.

Mr Lironi confirmed that recruitment of the Chair and members of the Independent Customer Group has now been completed.

**Paper 54/21 noted.**

(iv) Finance Report

Mr Scott reported that, to 31<sup>st</sup> March 2021, regulated profit before tax (PBT) was £107.2m. Whilst this is £9.7m below budget, it includes the assessed net impact from the COVID-19 pandemic of £43.2m. Gross capital investment for the year was £611.6m, £118.4m lower than budget as a result of the suspension of significant capital investment activities due to COVID-19 restrictions earlier in the financial year. However, Mr Scott noted that capital investment has been in line with or slightly ahead of budget over the past six months, with a monthly run rate of between £62m and £65m. Cash as at 31<sup>st</sup> March 2021 was £428.7m, £50.7m higher than budget. Group cash was £570m at year end, an increase of £40m from the previous year. The amount billed to household customers in the year was £1.9m higher than budget at £918.7m. The cash collected from household customers was £5m (0.6%) lower than budget, at £878.8m.

Mr Scott advised that all insurance covers for 2021/22 were placed in advance of the renewal date of 1<sup>st</sup> April 2021. He outlined the coverage and advised that premiums have increased by just under 10%. Further to a query from the Board, Mr Scott confirmed the covenant of the insurers and outlined the exercise undertaken by Scottish Water, working closely with its brokers, to analyse the quotes and re-run the Risk Optimisation Analysis reports to reflect the terms offered by the market.

**Paper 55/21 noted.**

(v) Customer Service Delivery Report

Mr Farrer reported that the in-month household CEM (hCEM) score for March 2021 was 87.41. The final year end score was 88.45, above the Business Target of 88.42, despite a significant increase in Service Issue Contacts in January and February 2021 as a result of persistent low temperatures. The in-month non-household CEM (nhCEM) score for March 2021 was 89.71, an increase from the previous month's score. The year to date score increased to 88.36 and remains above the Business Target of 86.50.

Mr Farrer updated the Board on progress in establishing services to support customers in vulnerable circumstances, highlighting the new website launched by Scottish Water, together with Scottish & Southern Electricity Networks (SSEN) and Scottish Power Energy Networks (SPEN), to promote each organisation's Priority Services Register (PSR).

**Paper 56/21 noted.**

(vi) 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 SEPA has now advised that certain Scottish Water data were included in SEPA's data loss following the ransomware attack on 24<sup>th</sup> December 2020. Mr Mustard explained that Scottish Water's initial assessment is that this involves primarily commercial, rather than personal, data and a full assessment will now be undertaken.

Professor Parsons updated the Board on enforcement action by the Drinking Water Quality Regulator (DWQR) in respect of a water quality incident at Afton Water Treatment Works in August 2020.

The Board noted that discussions are ongoing with the Water Industry Commission for Scotland (WICS) and Licensed Providers regarding new market measures in support of the retail market in light of the COVID-19 pandemic. Further to a query from the Board, Mr Scott explained that Scottish Water's bad debt exposure would increase slightly (perhaps up to £1m) from the start of the new scheme in May/June 2021, prior to reinstatement of one-month wholesale prepayment terms from July. He highlighted a potential delay in the introduction of the new deferral scheme following extension of the consultation period by two weeks to 7<sup>th</sup> May 2021.

The Board noted the assurance statement provided by the Data Protection Officer, Mr Mustard, confirming compliance and detailing the data protection activities undertaken in 2020/21.

**Paper 57/21 noted.**