

SCOTTISH WATER BOARD MEETING MINUTES

Date	30th August 2023
Start Time	9:40am
Finish Time	1.15pm
Place	The Garden Suite, Norton House, Edinburgh

Present:	Dame Susan Rice	Chair
	Mr Alex Plant	Chief Executive
	Mr Alan P Scott	Strategy Director
	Mr Peter Farrer	Chief Operating Officer
	Mr Iain Lanaghan	Board Member
	Mrs Catriona Schmolke	Board Member
	Mr Graham Dalton	Board Member
	Mr Steve Dickson	Board Member
	Mr Ken Marnoch	Board Member
In attendance:	Mrs Emma Campbell	Group Legal Counsel & Director of Governance and Corporate Secretary
	Mrs Shirley Campbell	Director for People (Part of Item 4(ii) only)
	Mr Brian Strathie	Director of Finance (Item 4(iii) only)
	Professor Simon Parsons	Director of Strategic Customer Service Planning (Items 4(iv), 5(i), 5(ii) and 6(i) only)
	Mr Mark Dickson	Director of Capital Investment (Items 5(i) and 5(ii) and 6(ii) only)
	Mr Rob Mustard	Director of Digital & Transformation (Items 5(i) and 5(ii) only)

PART I

1. APOLOGIES

Apologies were received from Mrs Deirdre Michie. The Chair noted that Mrs Michie had provided comments on the papers, which would be addressed during the meeting.

2. DECLARATION AND REGISTRATION OF INTERESTS/MATTERS ARISING

Mrs Schmolke advised the Board of her pro bono appointment to the Court of Strathclyde University, effective from 1st August 2023.

There were no matters arising.

3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 28th June 2023
The draft Minutes of the Board meeting held on 28th June 2023 were approved.

Paper 78/23 approved.

- (ii) Draft Minutes of the Audit & Risk Committee Meeting held on 29th August 2023
Mr Lanaghan, Chair of the Audit & Risk Committee, provided a verbal report of the meeting held on 29th August 2023.

4. MONTHLY/QUARTERLY PERFORMANCE

- (i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate and Lost Time Frequency Rate (LTFR) were on a declining trend in respect of contractor incidents. The Board considered the background to and the issues arising from one incident in the period which had been assessed as significant or which offered an opportunity for wider business learning. Further to a query from the Board, Mr Farrer advised that, following the Director-led review of this incident, it had been agreed that Scottish Water would share its behavioural safety programme with the contractor involved. In response to a question from the Board, Mr Farrer confirmed that the monthly Capital Investment Safety, Health & Wellbeing meetings were attended by the contractors' Chief Operating Officers and Heads of Health & Safety. The meetings were chaired by Mr M Dickson and it was made clear that discussions would be shared with the Scottish Water Board. The Board highlighted the importance of consistency in the approach to health and safety across Scottish Water's activities. Following discussion, it was agreed that, in a future Board paper, Mr Farrer would set out how Scottish Water ensures an integrated approach to health and safety across its supply chain and would consider how to extend this to encompass Scottish Water's PFI contracts.

Action 1 – Mr P Farrer

Mr Farrer provided an update on the progress of the Health & Safety Strategic Improvement Programme, noting that future Board sessions would be scheduled to provide further detail of specific initiatives. The Board provided positive feedback on the Legal Accountabilities and Responsibilities (LARs) training provided to the Board and Executive Leadership Team.

Paper 79/23 noted.

- (ii) Chief Executive Report

Mr Plant presented the paper, highlighting the official opening of Bonnycraig Water Treatment Works (WTW) on 17th August 2023, which had been attended by the Cabinet Secretary for Transport, Net Zero & Just Transition.

The Board noted that Mr Chris Toop had been appointed as Director of Digital and Mr Kes Juskowiak had been appointed as Director of Transformation with effect from 1st October 2023. Mr Plant advised that Mrs Lynne Highway had been appointed as Director for People and would join Scottish Water on 1st October 2023.

Paper 80/23 noted.

(iii) Financial Performance

Mr Strathie presented the paper, reporting that the Tier 1 contribution to 31st July 2023, excluding Long Term Normative Charges (LTNC) items, was £258.5m, which was £36m higher than budget. The forecast contribution for the year was estimated at c.£700m, £45m higher than budget, within a range of £670m to £720m. Tier 1 revenue was £486.3m, £0.1m higher than budget. The out-turn forecast of Tier 1 revenue was £1,457m, £1.2m below budget, within a range of £1,453m to £1,460m. Tier 1 expenditure to 31st July 2023, excluding LTNC items, was £227.8m, £35.9m lower than budget. The out-turn forecast of Tier 1 expenditure (excluding LTNC items) was £757m, £46m below budget within a range of £740m to £780m. The Board noted the key drivers. Mr Strathie highlighted the continuing volatility of electricity and gas prices, resulting in the wide range applied to total Tier 1 costs. Forecast cash as at 31st March 2024 was estimated at £320m, within a range of £270m to £390m. Further to a question from the Board, Mr Strathie outlined the key sensitivities that would impact cash balances and confirmed that these were being closely monitored. Profit before tax to 31st July 2023, on a near statutory accounting basis, was £55m, £33m higher than budget, with the central out-turn forecast for the year at £63m, £16m higher than budget.

Paper 81/23 noted.

(iv) Consistently Excellent Water Supply

Professor Parsons presented the paper, providing an update on (i) water supply risk management transformation; (ii) drinking water quality performance from January to June 2023; (iii) water supply and availability to the end of June 2023; and (iv) improvements to availability and connectivity.

Professor Parsons explained that the Enforcement Notice (EN) in relation to water supply risk management had been amended to require a follow-up audit by December 2023 and DWQR approval by March 2024. He reported that Invercarnie Water Treatment Works (WTW) had gone into supply, with the second phase due for completion by the end of October 2023. There had been a further six chlorate failures since the end of March 2023 and Professor Parsons outlined the actions being taken by the Chlorate Action Group to minimise this risk. The Board noted the decline in service reservoir performance. Scottish Water had responded to the DWQR's draft EN in relation to Treated Water Storage Points and a team had been formed across Scottish Water and the supply chain to meet the requirements of the EN and manage the risk to water quality. In response to a query from the Board, Professor Parsons provided an update in relation to Mannofield WTW, outlining the series of activities being undertaken to reduce the Cryptosporidium risk.

Paper 82/23 noted.