

## SCOTTISH WATER BOARD MEETING MINUTES

**Date** 28<sup>th</sup> August 2024  
**Start Time** 9:30am  
**Finish Time** 4:00pm  
**Place** Nevis/Assynt Room, Henderson Drive, Inverness & MS Teams

<b>Present:</b>	Mrs Deirdre Michie	Chair
	Mr Alex Plant	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Alan Dingwall	Chief Financial Officer
	Mrs Catriona Schmolke	Board Member (in attendance by MS Teams)
	Mr Iain Lanaghan	Board Member
	Mr Graham Dalton	Board Member
	Mr Ken Marnoch	Board Member
Mr Ian McAulay	Board Member	
<b>In attendance:</b>	Mrs Emma Campbell	Group Legal Counsel & Director of Governance and Corporate Secretary
	Mr Brian Strathie	Director of Finance (Items 1 - 7(iii) only)
	Professor Simon Parsons	Director of Environment, Planning & Assurance (Items 4(iv), 5(i) & 5(ii) only - in attendance by MS Teams)
	Mr Rob Mustard	Director of Capital Investment (Items 5(i), 5(ii), 7(i) & 7(ii) only)
	Mr Kes Juskowiak	Director of Transformation (Item 6 only)
	Mr Mike Will	Solutions Hub General Manager (Item 6 only)
	Mr Andrew Walker	Head of Corporate Affairs (Item 7(v) only - in attendance by MS Teams)
	Ms Carol-Ann Searles	Carlyle Associates (Observer for purpose of External Board effectiveness review)
Ms Alice Deakin	Carlyle Associates (Observer for purpose of External Board effectiveness review)	

### PART I

#### 1. APOLOGIES

No apologies were received.

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

Mr Plant declared that his wife had been appointed as Chief Executive of Forth Green Freeport and confirmed that this had been recorded in Scottish Water's Register of Interests. It was noted that Mr Plant would recuse himself from any discussions relating to either the Forth Green Freeport or the Inverness & Cromarty Firth Green Freeport.

There were no matters arising.

### 3. BOARD MINUTES (Part I)

- (i) Draft Minutes of the Board Meeting held on 26<sup>th</sup> June 2024  
The draft minutes of the Board meeting held on 26<sup>th</sup> June 2024 were approved.

**Paper 58/24 approved.**

- (ii) Draft Minutes of the Audit & Risk Committee Meeting held on 28<sup>th</sup> May 2024  
The draft minutes of the Audit & Risk Committee meeting held on 28<sup>th</sup> May 2024 were noted.

**Paper 59/24 noted.**

- (iii) Draft Minutes of the Audit & Risk Committee Meeting held on 13<sup>th</sup> June 2024  
The draft minutes of the Audit & Risk Committee meeting held on 13<sup>th</sup> June 2024 were noted.

**Paper 60/24 noted.**

- (iv) Draft Minutes of the Audit & Risk Committee Meeting held on 27<sup>th</sup> August 2024  
Mr Lanaghan, Chair of the Audit & Risk Committee, provided a verbal report of the meeting held on 27<sup>th</sup> June 2024.

- (v) Draft Minutes of the Remuneration Committee Meeting held on 23<sup>rd</sup> May 2024  
The draft minutes of the Remuneration Committee meeting held on 23<sup>rd</sup> May 2024 were noted.

**Paper 61/24 noted.**

### 4. MONTHLY/QUARTERLY PERFORMANCE

- (i) Safety, Health & Wellbeing Report

Mr Farrer presented the paper, reporting that the RIDDOR Injury Frequency Rate, Lost Time Frequency Rate (LTFR) and Total Recordable Injury Rate (TRIR) had improved on a 12-month rolling basis. The Board noted the continued increase in hazard reporting.

The Board considered the background to and the issues arising from four incidents which had been assessed as significant during June and July 2024. Further to a query from the Board, Mr Farrer confirmed that training records were reviewed as part of all Director-led reviews. Following discussion, it was agreed that future incident summaries would include confirmation that the individual(s) involved had undertaken the necessary training.

**Action 1 – Mr P Farrer**

The Board noted the importance of engaging directly with the individuals involved in incidents and Mr Farrer advised that behavioural safety was an integral part of the Construction and Contracting Health & Safety Improvement Plan. The Board considered the actions being taken in response to an increasing number of incidents recorded by Scottish Water's Delivery Partner, George Leslie Limited.

Mr Farrer updated the Board on development of the Construction and Contracting Health & Safety Improvement Plan, noting that this would be considered in detail by the Board at its meeting in December 2024. He advised that a Supply Chain Partner Health & Safety Event would be scheduled in November 2024. Further to a query from the Board as to how Scottish Water could seek to positively impact the wider safety culture, Mr Farrer confirmed that Scottish Water's Delivery Partners would share learnings from incidents at the event. He also noted that Scottish Water was using the Health & Safety maturity assessments to challenge and drive improvements. The Board noted the importance of celebrating improvements in contractor safety performance and transparency. Mr Farrer confirmed that this would be reflected in the Improvement Plan.

**Paper 62/24 noted.**

(ii) Chief Executive Report

Mr Plant presented the paper, highlighting the publication in August 2024 of his open letter to customers, stakeholders and partners, outlining the challenges and opportunities ahead. He updated the Board on a positive visit by the Cabinet Secretary to Scottish Water's office at the Bridge and the Intelligent Control Centre on 7<sup>th</sup> August 2024. The Board congratulated Scottish Water on its award in the IWA's Climate Smart Utilities Recognition Programme and Mr Plant advised that further details in respect of the IWA Congress 2026, to be hosted in Glasgow, would be provided to the Board at a future meeting. Further to a query from the Board, Mr Plant highlighted the positive gender balance among the 60 new Modern Apprentices.

In response to a question from the Board regarding Scottish Water's Annual Return (AR24) to the Water Industry Commission for Scotland (WICS), Mr Plant noted an overall reduction in the number of queries raised, reflecting improvements in the quality of the data submission.

Mr Plant provided an update on performance. Further to a query from the Board, Mr Farrer outlined Scottish Water's process in relation to redundant assets. He explained that the water quality incident in May 2024 affecting the Marchbank A Regulatory Supply Zone (RSZ) was unusual and had arisen due to a failure to disconnect the abandoned asset appropriately from the live network. In response to a question from the Board, Mr Plant confirmed that Combined Sewer Overflow (CSO) spill data would be released by the end of the calendar year and it was noted that this would be considered in more detail at the Board Strategy day in September 2024.

Following a question from the Board, Mr Farrer confirmed that Scottish Water's campaigns and education materials highlighted the link between reducing water consumption and reducing energy bills. He confirmed that Scottish Water would reflect further on this as the domestic smart metering pilot progressed.

Further to a query from the Board in relation to Scottish Water's energy purchasing strategy, Mr Strathie confirmed that the dynamic approach was kept under review and, should the Energy Risk Management Committee (ERMC) consider it necessary, the policy departure approved by the Board at its meeting in February 2023 would be reviewed and presented to the Board for consideration. It was noted that monthly updates would continue to be provided through the CEO Report.

**Paper 63/24 noted.**

(iii) Financial Performance

Mr Dingwall presented the paper, updating the Board on financial performance for the period ending 31<sup>st</sup> July 2024. The Board considered the forecast performance for the year to 31<sup>st</sup> March 2025. In particular, Mr Dingwall reported that year to date performance was ahead of budget due to higher revenue and lower Tier 1 expenditure, reflecting the mitigation of the electricity price risk for the year. The full year forecast was ahead of budget, with a contribution before Long Term Normative Charge (LTNC) items of £780m, which was £8m better than budget within a range of £765m to £800m. In response to a query from the Board, Mr Dingwall confirmed an upward trajectory in respect of repair costs, noting that this had been budgeted for. The cash balance was slightly higher than budget. Mr Dingwall explained that the overall cash position was close to Scottish Water's risk appetite, but it was anticipated that the available debt drawdown of £170m would be utilised in full by the end of the year. In response to a question from the Board, Mr Dingwall outlined the cash management levers available to Scottish Water. Following discussion, it was agreed that further detail on the key levers would be provided to the Board in the next Financial Performance paper.

**Action 2 – Mr A Dingwall**

The Board considered the Directorate FTE summary within Appendix 2 to the paper. In response to a query from the Board, Mr Dingwall confirmed that this included contingent workers. He noted that the Audit & Risk Committee had reviewed an audit report in relation to Agency Worker Payments at its meeting on 27<sup>th</sup> August 2024. He outlined the strengthened controls in relation to agency workers and confirmed that further updates would be provided to the Board. Following a question from the Board, Mr Dingwall outlined the controls applying to any proposed increase in FTE, noting that resourcing pressures and opportunities would be reviewed as part of the current business planning process. Further to a suggestion from the Board, it was agreed that future reports would include details of the historical FTE position.

**Action 3 – Mr A Dingwall**

**Paper 64/24 noted.**

(iv) Consistently Excellent Water Supply

Professor Parsons presented the paper, updating the Board on (i) water supply risk management transformation; (ii) drinking water quality performance for the period from January to June 2024; (iii) water supply and availability to the end of June 2024; and (iv) improvements in availability and connectivity. Professor Parsons noted that the Drinking Water Quality Regulator (DWQR) had published its 2023 Annual Report on 20<sup>th</sup> August 2024, highlighting that the quality of Scotland's drinking water remained amongst the finest in the world.

Professor Parsons reported that both Water Treatment Works (WTW) and Service Reservoir (SR) performance in 2024 were behind the same periods in 2022 and 2023, given the impact of weather conditions. He highlighted improved Chlorate performance, with no failures to the end of June 2024 compared to nine failures in 2023, reflecting the work of the Chlorate Action Group.

Professor Parsons provided an update on the work to meet the requirements of the DWQR's Treated Water Storage Point (TWSP) Enforcement Notice. He explained that, while the overall level of risk associated with TWSP was reducing through this investment programme, persistent rainfall had continued to expose the risk from ingress.

**Paper 65/24 approved.**