SCOTTISH WATER BOARD MEETING
MINUTES

Date	**27th March 2024**
Start Time	**9:30am**
Finish Time	**3:00pm**
Place	**Lomond Suite 4, The Bridge, Stepps**

Present:

	Mrs Deirdre Michie	Chair
	Mr Alex Plant	Chief Executive
	Mr Peter Farrer	Chief Operating Officer
	Mr Iain Lanaghan	Board Member
	Mrs Catriona Schmolke	Board Member
	Mr Graham Dalton	Board Member
	Mr Steven Dickson	Board Member
	Mr Ken Marnoch	Board Member
	Mr Ian McAulay	Board Member

In attendance:

	Mrs Emma Campbell	Group Legal Counsel & Director of Governance and Corporate Secretary
	Mr Brian Strathie	Director of Finance
	Professor Simon Parsons	Director of Environment Planning & Assurance (items 4(iii), 5(ii), 5(iii), 6(i) & 6(ii) only)
	Mr Gordon Reid	General Manager – Zero Emissions (item 5(iii) only)
	Mr Rob Mustard	Director of Capital Investment (items 6(i) - (iii) only)
	Mr Alan Fairweather	Head of Commercial (item 6(iii) only)
	Mrs Wendy Kimpton	Director of Strategy & Regulation (item 7(i) only)

PART I

1. APOLOGIES

There were no apologies.

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

Mr McAulay advised that he had been appointed as Chair of Isle Utilities, a global innovation consultancy.

Mr Lanaghan advised that his term as a Non-Executive Director of the North Sea Transition Authority (NSTA) had been extended to April 2026.

There were no matters arising.

3. BOARD MINUTES (Part I)

(i) <u>Draft Minutes of the Board Meeting held on 28th February 2024</u>
The draft Minutes of the Board meeting held on 28th February 2024 were approved.

Paper 14/24 approved.

(ii) <u>Draft Minutes of the Remuneration Committee Meeting held on 20th March 2024</u>
Mr Marnoch, Chair of the Remuneration Committee, provided a verbal report of the meeting held on 20th March 2024.

(iii) <u>Draft Minutes of the Audit & Risk Committee Meeting held on 26th March 2024</u>
Mr Lanaghan, Chair of the Audit & Risk Committee, provided a verbal report of the meeting held on 26th March 2024.

4.   MONTHLY/QUARTERLY PERFORMANCE

(i)   <u>Safety, Health & Wellbeing Report</u>

Mr Farrer presented the paper, reporting a slight improvement in the contractor RIDDOR Injury Frequency Rate and Lost Time Frequency Rate (LTFR) and outlining the further improvement activities being undertaken. In particular, he advised that, on 26th March 2024, Scottish Water had hosted engagement sessions with its partners' Heads of Safety to discuss the safety maturity assessment model. The Board discussed the importance of culture change in driving improved health and safety across the contracting organisations and the need to focus on safety leadership. The Board welcomed Scottish Water's focus on accidents associated with deliveries to sites, noting the opportunity to engage in wider industry initiatives. In response to a query from the Board, Mr Farrer thanked the Non-Executive Directors for their engagement to date in the development of the Construction and Contracting Health & Safety Improvement Plan and advised that an update would be provided to the Board in May 2024. The Board noted that, during February 2024, no incidents had been assessed as significant or notable.

The in-month absence figure for February 2024 was 2.42% and the year to date figure was 2.67%, below the average of 3%. Mr Plant highlighted the continued increase in mental health-related absences, noting that this had been discussed at the Audit & Risk Committee Meeting on 26th March 2024. Mrs Highway, People Director, was conducting a review into mental health related absences and would present a paper to the Board following conclusion of this review.

Action 1 – Mrs Lynne Highway

The Board noted the introduction of a new app for Scottish Water's absence management service, GoodShape. In response to a query from the Board, Mr Farrer advised that Scottish Water had changed its approach when rolling out new apps to reflect feedback from operational colleagues, increasing training, knowledge and awareness, with positive feedback following testing of the GoodShape app.

The Board noted the progress of the lone working project and, in response to a query from the Board in relation to introduction of the PeopleSafe app, Mr Farrer explained that, should an individual fail to communicate within a set period of time, the team leader would initiate contact. He noted that the app was also integrated with the Intelligent Control Centre (ICC). Further to a question from the Board, Mr Farrer advised that Scottish Water was in the process of testing a satellite-linked system to address connection issues in particular areas.

Paper 16/24 noted.

(ii) Chief Executive Report

Mr Plant updated the Board on WICS' Annual Performance Report on Scottish Water, which had been published on 7th March 2024. Following discussion, it was agreed that Mr Plant would issue a note to the Board detailing how Scottish Water would address the points raised by WICS.

Action 2 – Mr A Plant

Mr Plant noted that Scottish Water continued to work closely with WICS and the Scottish Government to progress plans for SR27. It was anticipated that the Scottish Government's draft Commissioning Letter to WICS would be issued after Easter, subject to Ministerial approval. The Board noted that Scottish Water's new advertising campaign "Piped by Us, Owned By You", had launched across a range of channels, with positive initial feedback. The Board commended the work of Scottish Water's Electricity Risk Management Committee (ERMC).

Mr Plant provided an update on performance, highlighting the continued focus on leakage reduction and noting the establishment of a Leakage Reduction Group. He also advised that the proposed domestic smart metering pilot would, if approved by the Board, provide further insights into leakage. Mr Plant outlined the proposed new rule set which had been developed following the Board's request to review the RAG status definitions for the performance measures. Following consideration, the Board agreed with this approach, noting that it would be implemented from 1st April 2024 and its effectiveness would be monitored during 2024/25. Mr Plant outlined how future performance reports would address the Board's request to include percentages and show the trajectory of performance measures over time. In response to a query from the Board, Mr Plant confirmed that the use of PowerBI would increase the efficiency of the reporting process but that further development was needed before this could be introduced.

Paper 17/24 approved.

(iii) 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 2023; (iii) water supply and availability to the end of December 2023; and (iv) improvements to availability and connectivity.

Professor Parsons highlighted the importance of the Water Supply Risk Management (WSRM) system. He confirmed that Lloyds Register had recommended certification of the WSRM system following its audit and the Drinking Water Quality Regulator (DWQR) had awarded approved status for compliance on 12th December 2023.

The Board considered water quality performance. Professor Parsons highlighted the increase in service reservoir failures, outlining the actions being undertaken to address the Enforcement Notice issued by the DWQR in relation to Treated Water Storage (TWS) points. He highlighted the impact of the new drinking water standards on water quality performance and advised that the DWQR had requested Letters of Commitment to develop options to improve Halo Acetic Acids (HAA) performance at five water treatment works. In response to a query from the Board, Professor Parsons explained that the DWQR required Scottish Water to develop solutions for delivery from 1st April 2027. Further to a question from the Board, Professor Parsons advised that the new standards had been introduced following transposition of the EU Drinking Water Regulations and this reflected the stated policy intention of the Scottish Government to align with European

legislation. Professor Parsons highlighted the financial impact of the proposed changes to the Urban Waste Water Treatment Directive, noting that the Scottish Government had indicated that this would be aligned with domestic policy where it was in the best interests of Scotland. Following discussion, it was agreed that the implications of the transposition of European legislation should be clearly communicated in Scottish Water's Performance & Prospects Report. Following a comment from the Board, it was agreed that Professor Parsons would produce a paper setting out the potential financial and operational impact of achieving full compliance on the key parameters.

Action 3 – Professor S Parsons

Paper 18/24 noted.

(iv)   Transformation

Mr Plant presented the paper, updating the Board on Transformation activities. The Board noted the progress to date and discussed the review and sharpening of the benefits forecast following Mr Juskowiak taking on his new role as Director of Transformation. Mr Plant reported that the 10 year net benefits forecast had reduced to £750m from the forecast of £842m communicated to the Board in November 2023, but this remained above the original commitment of £640m approved by the Board in August 2021. Following a question from the Board, Mr Plant confirmed that the original commitment remained achievable and would be enabled by the changes in delivery focus. He highlighted the communication and engagement activities, noting that our people had responded well to the simplification of Transformation and there had also been positive feedback from the Independent Customer Group (ICG). Further to a query from the Board, Mr Plant confirmed that Scottish Water was developing its policy in relation to generative AI and further details would be provided by Mr Chris Toop, Director of Digital, in his update to the Board on 29th May 2024.

Paper 19/24 noted.