

# One hundred and forty first meeting of the Water Industry Commission for Scotland

By video call on 7 October 2021

## DRAFT

**Present:** Donald MacRae (Chair)  
Alan Sutherland (Chief Executive Officer)  
Jo Armstrong  
Robin McGill

**In attendance:** Ian Tait, Deputy Chief Executive  
Colin McNaughton, Assistant Director  
Michelle Ashford, Chief Operating Officer  
Andrea Mancini, Assistant Director  
David Satti, Assistant Director  
Shona Coan, Head of Finance (item 3.2 onwards)

**Apologies:** Ann Allen

### Chair's opening remarks

The Chair opened the 141<sup>st</sup> meeting of the Commission and welcomed Board members.

#### 1. Apologies for absence

Apologies received from Ann Allen.

#### 2. OECD Presentation

##### 2.1 OECD Presentation

The Board were joined by the OECD team

The OECD team presented the key findings from the OECD Peer Review of SRC21. Following the presentation, the peers provided their thoughts on the review.

The Board noted that the report was very useful and thanked the OECD team and the peers.

The OECD Session was recorded and will be sent to all Board members.

### **3. Minute of the last meeting and regular updates**

#### **3.1 Declaration of conflicts of interest in relation to the agenda**

No members declared any conflict of interest in relation to the agenda.

#### **3.2 Minutes of the 140<sup>th</sup> meeting**

**Min06/21**

The Commission **approved** the minutes of the 140<sup>th</sup> meeting.

#### **3.3 Summary of action points**

**AP07/21**

The Commission **noted** the summary of actions. The following points were arising:

- **AP1:** The Chair noted that he will continue to attend DAG and IPPG meetings and asked for the AP to be retained.

#### **3.4 Non-Executive Members Update**

**Oral**

Jo Armstrong highlighted Professor Sean Smith of Edinburgh Napier University's recent publication on construction cost pressures and noted that there will be potential implications for the SR21 programme.

Robin McGill noted the current skills shortages in the public sector and the impact of outsourcing. He noted that it would be useful to understand whether Scottish Water plans to grow more capability internally in the future.

The Chair praised the OECD report and congratulated the CEO and the team on the outcome of the process

### **4. Business Updates**

#### **4.1 CEO Update**

**CP25/21**

##### **1. Supporting a water industry that is sustainable over the long term**

###### **Scottish Water Transformation Plan**

The Assistant Director provided an update on progress of the Scottish Water transformation. The work is progressing but is highlighting areas where significant resourcing will be required if the industry vision and requirements of the Final Determination are to be achieved.

The Chair noted that the support we are providing to Scottish Water at this time is being well received.

It was noted that we will continue to support Scottish Water's work in this area and the Board received assurance that this is not creating a conflict in roles.

### **Preparing for the Strategic Review of Charges 2027**

The Assistant Director advised that a project has commenced to assess Asset Replacement needs in more detail with other industry partners. The Chair asked that the Board be kept up to speed on progress with this project.

## **2. Incentivising an efficient and effective Scottish Water**

### **Scottish Water performance**

The Deputy CEO gave an update on Scottish Water's performance reporting and the work underway to ensure that the annual return remains fit for purpose in the new regulatory period.

The Board sought assurance that Scottish Water is clear on our expectations on performance reporting.

## **3. Helping to ensure that the retail market maximises benefits for customers**

### **Business Stream**

The Board discussed the work underway on a strategic review of Business Stream. The Board sought and received assurance regarding WICS's role in the review.

## **4. Supporting Scottish Water to become an analytically driven organisation that takes full account of benefit and costs in its option appraisals and decisions**

### **Investment planning and prioritisation**

#### **Supporting Scottish Water's investment planning and prioritisation approach**

The Board noted the update and agreed that it would be useful to meet with the leadership of SEPA to share thinking on the approach to prioritisation.

## **5. Acting as hub of information and expertise to support decision making**

### **Identifying areas of best practice**

The Board discussed the developments in the UK utility sector and Scottish Water's approach to delivering net zero.

It was also noted that the forthcoming Infrastructure Investment Plan for Scotland may have relevance for Scottish Water's approach on appraisals.

## **7. Acting as a cutting-edge regulator that supports Scotland as a Hydro Nation**

### **International projects in delivery**

#### **New Zealand**

The Assistant Director provided an update on the ongoing activity in New Zealand. The CEO has written to the Ministry of Business sharing experience in the establishment of a framework for economic regulation in Scotland.

### **International projects in development**

#### **Relationship building**

The Board asked to be updated on the current state of future project development.

## **8. Ensuring that the office operates as efficiently and effectively as possible.**

### **Finance**

The Board noted the finance update.

The Chair noted that he was aware of delays elsewhere with Audit Scotland's audit activity. The Head of Finance confirmed that Audit Scotland are on target to deliver the WICS audit in time for the annual report and accounts to be signed off at the November Board meeting. We have confirmed with the sponsor team that 31 December 2021 is a satisfactory submission date for our accounts.

## **9. Sustaining a high performing team, with a focus on continuous improvement**

### **Future working arrangements**

The CEO provided an update.

Robin McGill asked if there is any consideration for HR support in the future. The CEO noted that the office is considering this in consultation with Consumer Scotland.

The Board **noted** the CEO Update report.

## **5. Decision papers**

### **5.1 ARC update**

**CP26/21**

Robin McGill asked the Board to approve the recommendation from the Chair of the ARC to formally extend the appointment of the two lay members of the ARC until the end of the year.

The Board **formally approved** the recommendation and **noted** the update.

## 5.2 Risk management strategy

CP27/21

Robin McGill noted that the risk management strategy is very good.

The Chair registered a formal note of thanks to the Head of Finance for the risk papers and asked that this also be conveyed to [REDACTED].

The Board **formally approved** the updated risk management strategy.

## 6. AOB

There was no further business.

The Chair thanked all for attending and formally closed the meeting.