

One hundred and thirty seventh meeting of the Water Industry Commission for Scotland

By conference call on 1 April 2021

Present: Donald MacRae (Chair)
Alan Sutherland (Chief Executive)
Jo Armstrong
Robin McGill
Ann Allen

In attendance: Ian Tait, Deputy Chief Executive
Rhona Harper, Secretary to the Commission
Donna Very, Assistant Director
David Satti, Assistant Director
Andrea Mancini, Assistant Director
Michelle Ashford, Chief Operating Officer

Chair's opening remarks

The Chair opened the 137th meeting of the Commission and welcomed Board members.

1. Apologies for absence

All Board members were present.

2. Minute of the last meeting and regular updates

2.1 Declaration of conflicts of interest in relation to the agenda

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

2.2 Minutes of the 136th meeting

Min02/21

The Commission **approved** the minutes of the 136th meeting.

2.3 Summary of action points

AP03/21

The Commission **noted** the summary of actions.

2.4 Non-Executive Members Update

Oral

The Board members reflected on recent discussions around infrastructure and regulatory approaches and how they related to the future development of the water and wastewater industry in Scotland.

3. Business Updates

3.1 CEO Update

CP09/21

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

Finalising the Strategic Review of Charges 2021-27

The Commission noted the recent Parliamentary Questions regarding Scottish Water's investment programme.

The Commission noted that Scottish Water's Delivery Plan was due to be submitted to Scottish Ministers shortly for approval.

Scottish Water Transformation Plan

The Board was provided with an overview of the ongoing transformation process of Scottish Water as it moves towards its third 'sprint'. The Board discussed the role of WICS in monitoring this transformation activity. Several questions from Board members were addressed.

Scottish Water aim to publish the Transformation Plan in August.

2. Incentivising an efficient and effective Scottish Water

Scottish Water performance

Scottish Water are starting to plan the format of their reporting for the new regulatory period. The Deputy Chief Executive confirmed that the annual WICS Performance Report, covering 2020/21, will reflect the format of previous years as it relates to the final year of the current regulatory period.

Delivery Assurance Group

The Chair provided an overview of his observations of the March DAG meeting. The Board members discussed the ongoing delivery programme and the causes of delay, which are not exclusively Covid related.

3. Ensuring that the retail market delivers maximum benefits for customers

Covid-19 support measures

The Board was provided with an update on the ongoing activity in support of the retail market and the development of proposals for transitioning out of the Covid support measures. In the coming weeks it is expected that Scottish Water will be able to provide

more detail to Licensed Providers regarding the nature and extent of the proposed financial resilience measure.

Several questions from the Board were addressed.

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

The Chair provided an overview of his observations of the March IPPG meeting. The Board members discussed the Scottish Water's progress in developing a new methodology for investment appraisals and the need for them to build expertise and capacity within the organisation to support that methodology.

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

Consumer Scotland

The Deputy Chief Executive provided an update on the process to establish Consumer Scotland.

Developments in England and Wales

It was agreed that the recent report by Sustainability First would be shared with the Board.

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

International projects in delivery

There was an update on current projects. The DIA project is now substantially complete. The WICS feedback sessions with Councils have now been completed. A small number of follow up activities were being completed by the team. This included a webinar with Scottish Water.

The DIA feedback has been very positive.

Relationship building

The Chief Executive provided some information about the current high level of international interest around the need to ensure essential assets are properly maintained and able to tackle the impacts of climate change and the move to net zero emissions.

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

Corporate Website Project

The Board noted the additional spend for the website project.

IT and cyber resilience

The Board noted its thanks to the IT teams for securing the cyber essential plus accreditation.

Procurement

The Deputy Chief Executive confirmed that the tender response date for the professional services tender had passed, and we are now in the process of review.

The Board **noted** the CEO Update.

3.2 Finance Update

CP10/21

The Chief Executive responded to several questions on the finance report. It was agreed that some additional reporting of Hydro Nation activity would be included in future reports.

The reported variances against budget were discussed and it was noted that the new agreed budget for 2021/22 would form the basis of reporting moving forward.

The Board also noted the need to consider the financial implication of the Moray House sublease in future financial planning.

The Board extended its thanks to the Assistant Manager - Finance for acting up in the absence of the Head of Finance. The Board also welcomed back the Head of Finance.

Going forward, it was agreed that all Board contact on corporate and finance issues should be routed through Donna Very who is responsible for all activities in this area.

The Board **noted** the report.

4. Information Papers and reports

4.1 Risk Management Update

CP11/21

The Board discussed and agreed the Strategic Risks set out in the paper. It was agreed that the team would continue to develop the process for managing and reporting risk in line with the risk management strategy and would prepare action plans for the strategic risks for the June Board meeting.

The strategic risks will be reported on regularly to the Board. The Audit and Risk Committee will continue to have a more detailed overview of the wider risk management strategy.

The Board **approved** the description of the strategic risks and the statement of risk appetite.

5. AOB

There was no further business. The Chair thanked all for attending and closed the meeting.