One hundred and fortieth meeting of the Water Industry Commission for Scotland

By conference call on 12 August 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

 Colin McNaughton, Assistant Director

 Michelle Ashford, Chief Operating Officer

 Shona Coan, Head of Finance (item 3.1, section 8.3 only)

 Douglas Millican, Chief Executive, Scottish Water (item 5.1 only)

 Rob Mustard, Director of Digital and Transformation,

 Scottish Water (item 5.1 only)

 Emma Gibbs, Partner, McKinsey (item 5.1 only)

**Chair’s opening remarks**

The Chair opened the 140th 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 139th meeting Min05/21

The Commission **approved** the minutes of the 139th meeting.

**2.3 Summary of action points AP06/21**

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

* AP1: it was noted that the Chair would attend the September DAG and IPPG meetings. Diary invitations are to be arranged for the Chair.
* AP5: The Board noted that the new form of CEO update included a placeholder to monitor the progress of KPI’s which would be developed over time. It was noted that some of the underlying KPI’s would continue to evolve over time to ensure that they met the requirements of Audit Scotland and the WICS SMT team to monitor activity.
* AP7: it was noted that the Risk Management Strategy had been updated to reflect the changes discussed with the ARC and the Board. In finalising the document, a small number of additional changes were being proposed. The revised document would be shared with the ARC on 17 August and then submitted to the Board for final approval.

**2.4 Non-Executive Members Update Oral**

 Ann Allen indicated that the Covid -19 and Brexit impacts on the construction industry were continuing with ongoing material shortages and cost pressures. These pressures were likely to be more of a long-term issue than a short term one and we would need to be mindful of the impact of this on the Scottish Water programme.

**3. Business Updates**

**3.1 CEO Update CP23/21**

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

**Scottish Water Transformation Plan**

The Chief Executive provided some additional information regarding the development of Scottish Water’s transformation plan. One of the most challenging areas remains the development of Scottish Water’s strategic priorities for investment. The current sprint (sprint 5) focuses very much on this area and WICS are working closely with Scottish Water on this.

The WICS approach to supporting the sprints has evolved for this sprint. WICS have been seeking to demonstrate the type of analysis capability that Scottish Water should have in-house to support this activity moving forward.

There is pressure on Scottish Water from a range of stakeholders to invest in improvements. Scottish Water is developing a prioritisation process that will reflect its strategic objectives and should assist in managing the expectation of the quality regulators and other stakeholders.

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

 **Transitioning the market post Covid-19 / Financial resilience**

The Chief Executive provided some additional information on the market resilience measures and the market uptake of the new licence condition. The Board noted that the process in the retail sector had been positively received by LPs. It had been a new approach for WICS which had been well structured and managed. The Board recorded its thanks to the Assistant Director and the wider team engaged in that activity.

1. **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 Chief Executive provided some additional information on the impact of pandemic delays on the Scottish Water current programme.

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

**Identifying areas of best practice**

**Developments in England and Wales**

Colin McNaughton provided an overview of the Southern Water news; the company has received a capital injection from its investors in response to the regulatory fines.

Colin McNaughton also provided an update on the Competition and Market Authority’s (CMA) provisional decisions in the energy network price setting. On the key question of the cost of capital the CMA had supported Ofgem.

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

**International projects in delivery**

Colin McNaughton provided an update on the ongoing activity in New Zealand to support the DIA’s water reform process.

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

**Corporate Website Project**

 The Chief Executive provided an update on the website project which is due to go live on 24 August. It was agreed that a short session would be arranged before the launch to allow the Board to see the new website.

**Finance**

 The Head of Finance provided an update on the finance section. Jo Armstrong asked for clarification as to where the costs of any meeting space required in 2021/22 was budgeted for. It was agreed that this would be dealt with at the October Board.

**Post meeting note**: the information has now been provided by correspondence

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

**4. Information papers**

**4.1** **Future Working Strategy CP24/21**

Ann Allen noted the continuing need to stay in touch with staff and continue the external engagement. In addition, the office market is moving quickly to adapt to the changes in working practices and so it is essential that WICS stay in touch with the market.

The Board noted the **recommendations** in the report.

1. **Scottish Water presentation Transformation Plan update**

The Board were joined by Douglas Millican, Rob Mustard and Emma Gibbs. The Scottish Water team presented an update on the ongoing transformation process.

The Scottish Water team joined with a discussion and responded to several questions raised by the Board. Key themes explored included the breadth of the transformation activity required; the availability of skills and resources within Scottish Water; maintaining and embedding the required culture change; communication of the change process internally and externally (including the supply chain); digital investment to support change; strategic leadership and investment prioritisation and planning.

The Chair thanked the Scottish Water team for their engagement.

# 6. AOB

There was no further business.

The Chair thanked all for attending and closed the meeting.