

Eighty third meeting of the Water Industry Commission for Scotland**Held at the Edinburgh Hilton Airport Hotel on 29 April 2014**

Present: Professor Gordon Hughes (Chairman)

Mr. Alan Sutherland (Chief Executive)

Mr. Ross Finnie

Mr. John Reynolds

Mrs Libby Gawith

In attendance: Mr. Ian Tait

Mrs Katherine Russell

Mr. David Walters

Mrs. Shona Coan

Mrs Kirsty McLean (Secretary)

Mrs. Claire Nichols (Consultant)

Chairman's opening remarks

The Chairman welcomed everyone to the 83rd meeting of the Commission.

1. Apologies for absence

There were no apologies for absence.

2. Minute of previous meeting and regular updates**2.1 Declaration of conflicts of interest in relation to the agenda**

Mr John Reynolds declared a conflict of interest in relation to the licence application from Castle Water Ltd (item 6.2 CP26/14). It was agreed that Mr Reynolds would leave the room at section 6 of the agenda.

2.2 Minute of last meeting (CP02/14)

The Commission agreed that the minute was an accurate record of the last meeting.

2.3 Summary of action points

The Commission noted the summary of action points.

2.4 Chief Executive's report (CP19/14)

The Chief Executive provided an update on the office restructuring. It was noted that Government Officials had approved stage one of the restructuring process (offer of early retirement). Further stages (redeployment and new structure and pay banding) were under consideration by the Government. The Commission asked to be updated on further progress.

The Chairman thanked all staff for their contributions in producing the Draft Determination 2015-21. A meeting had been requested from the Deputy First Minister to discuss the determination further, which is likely to take place in June.

The Chairman noted that he and IT were attending the ICI Committee at the Scottish Parliament on 30 April.

3. Regular business

3.1 CMA update (CP20/14)

The Commission noted the paper.

3.2 Finance and contracts update (CP21/14)

The Commission noted the paper. The next annual external audit will take place in June 2014.

It was noted that operating costs for 2013-14 included the creation of the new Scotland on Tap website.

Framework contracts are due to be re-tendered for 2015. These will be progressed through the OJEU's process, following ministerial agreement of the Corporate Plan.

3.3 Audit Committee update (CP22/14)

The review of effectiveness carried out by PWC has suggested some changes to the Audit Committee Terms of Reference (ToR). The revised ToR has been drawn up using WICS staff handbook and the Scottish Government's guidance notes. The Commission

is required to approve the new ToR. The Chairman requested some alterations relating to meeting timescales. The Commission agreed the revised terms subject to these changes.

The updated risk register was noted.

4. Office updates

4.1 Draft Corporate Plan (CP23/14)

The Chairman requested that the draft provided more information on our approach to monitoring process and the role of IR18. Additional edits were agreed relating to the section on resources. It was agreed that the budget set out in the plan appeared sensible, subject to any changes in regulatory functions as a result of external impacts such as the Referendum.

It was also noted that a more detailed work plan of the Commission's activities, to support the higher level plan, would be useful for the Commission's consideration.

It was agreed that it would be helpful for the Commission to meet Scottish Water on an annual basis, and that it would also be helpful to have more regular meetings with the Ofwat board.

The Commission agreed the corporate plan subject to the amendments agreed. The paper would be updated and re-circulated to Commission members as soon as possible as approval for the plan was being sought from the Scottish Government by late June.

5. Investment

5.1 Investment update (CP24/14)

The Commission noted the paper. It was agreed that some of the targets that are being missed relate to environmental and customer service categories. The Commission agreed to monitor this closely and Commission members requested further detailed information, which IT will circulate.

6. Competition

6.1 Deemed Contract Scheme Consultation (CP25/14)

The Commission approved the draft scheme for consultation, subject to further consideration being given to the necessary notice period.

6.2 Castle Water Ltd – Licence Application (CP26/14)

The Commission confirmed that it was minded to propose water and sewerage licences to Castle Water Ltd, subject to any representations from third parties.

6.3 Supplementary actions

It was agreed that the Chairman should accept Mr Reynolds' offer of resignation from the Commission.

It was further agreed that Mr Ross Finnie would be appointed as Chair of the Audit Committee.

Chairman's closing remarks

The Chairman closed the meeting, thanking attendees and noting that the next meeting will take place in Stirling on Tuesday 8 July 2014.