

# One Hundred and Second meeting of the Water Industry Commission for Scotland

At the office of the Water Industry Commission for Scotland, Stirling

on 3 August 2017

**Present:** Donald MacRae (Interim Chair)  
Alan Sutherland (Chief Executive)  
Ross Finnie  
Libby Gawith  
Jo Armstrong

**In attendance:** Katherine Russell, Director of Hydro Nation, Retail and Innovation  
Ian Tait, Director of Network Regulation  
Andrea Mancini, Hydro Nation, Retail and Innovation (Item 5)  
Peter Peacock, Chair, Customer Forum (Item 6)  
Simon Parsons and Mark Dickson, Scottish Water (Item 7)  
Ann Bishop, Indepen (Item 8)  
Ellen Millar, Secretary

## Interim Chairman's opening remarks

The Interim Chairman welcomed everyone to the meeting and thanked the Executive and Staff for arranging and attending the Scottish Water site visit in Inverness which had proved very useful.

### 1. Apologies for absence

There were no apologies for absence.

### 2. Minute of the last meeting and regular updates

#### 2.1 Declaration of conflicts of interest in relation to the Agenda

None.

#### 2.2 Minute of last meeting

(02/17)

The Commission noted and agreed that the minute was an accurate record of the 1 June meeting.

It was noted that the minutes reflected the right level of detail for the Commission's needs.

## **2.3 Summary of action points**

**(AP03/17)**

The Commission noted the summary of action points.

It was noted that Action Point 2 and Action Point 6 required dates to be included in due course.

It was noted that Action Point 6 and Action Point 8 were duplicated and 8 could be removed.

It was agreed that Action Point 6 would be completed by the next meeting.

## **2.4 CEO Update**

**(CP25/17)**

The Chief Executive introduced the CEO update report.

Progress with the OECD peer review of the Strategic Review process was discussed. The Commission will receive a draft of an initial OECD Report when available, which is expected to be before the planned OECD meeting of the Network of Economic Regulators in November 2017.

The Chief Executive also gave an update on staff retention and succession planning. He also reported on a constructive meeting with National Records Scotland (NRS) to discuss recent legislation relating to records management.

The Chair noted that he had attended the June Outputs Monitoring Group meeting and was impressed with the rigor with which the group assessed progress with delivery of the investment programme.

The Chair congratulated the Chief Executive on winning the Utility Week's 'Guiding Stars' award for outstanding workforce and sector leadership.

## **3. Regular Business**

### **3.1 Financial Update**

**(CP26/17)**

The Commission discussed and approved the finance reports. The Commission welcomed the new format which includes a greater focus on activity based reporting.

### **3.2 Financial Statements 2016-17**

**(CP27/17)**

The Commission discussed the Financial Statements for 2016-17. The Chairman of the Audit and Risk Committee confirmed that the statements had been approved by the Committee and he provided further information on the position relating to the pension valuation. It was noted that Audit Scotland had given the Statements an unqualified audit opinion and were satisfied that the Audit and Risk Committee had

properly considered the going concern provision. The Commission approved the Financial Statements for 2016-17.

### **3.3 Audit Committee**

**(CP28/17)**

It was agreed that the minutes of the Audit Committee will be circulated to the Commission in draft form subject to approval by the Audit Committee. This will assist with a continuous flow of information.

The Commission reviewed the Risk Register. They noted the new format and asked to be kept informed as it developed.

The Commission noted the internal audit reports on the Environmental Review and Records Retention and Data Management. They also noted the terms of reference for the advisory review on the development of information governance arrangements and HR policies and recruitment process.

## **4. Strategic Review**

### **4.1 Initial Decision Papers for the SRC21-27**

**(CP29/17)**

The Commission discussed the drafts of Initial Decision Papers 6, 7, 8 and 9 for the Strategic Review of Charges 2021-27. The papers have been further developed following a Commission teleconference call on 11 July 2017.

#### Initial Decision Paper 6 – Macroeconomics Assumptions

The Commission approved the paper.

#### Initial Decision Paper 7 – Futureproofing services levels sustainable asset maintenance

The Commission approved the paper subject to amendments in the key messages section and in the discussion of lessons from the PFI schemes, along with other minor amendments.

#### Initial Decision Paper 8 – Enhancement Investment

The Commission approved the paper subject to minor amendments.

#### Initial Decision paper 9 – Growth Investment

The Commission approved the paper subject to minor amendments.

It was noted that the Decision Papers will now be finalised for publication on the 23<sup>rd</sup> of August.

## **5. Hydro-Nation, Retail and Innovation (CP30/17)**

### **5.1 Update on Competition**

The Commission noted the update and thanked the Competition team for taking forward the market arrangements in Scotland.

A short update was given by the Chief Executive and the Head of Competition on implementing Scottish Government policy of moving to Live Rateable Values for non-household water charging. The Commission noted this update.

### **5.2 CMA update (Revised)**

The Commission noted the CMA report.

### **5.3 Update on Hydro-Nation (CP31/17)**

The Chief Executive provided an update on the ongoing work with the Romanian economic regulator. It was agreed that a paper on the proposed work in Romania would be provided at the next Commission meeting.

The Chief Executive also discussed the recent visit and training of a delegation from the Georgian Regulatory Commission. The Chairman noted that the delegation had been very complimentary about the training provided.

### **5.4 License application - ADSM (CP32/17)**

The Commission approved in principle the licence application from ADSM and – noting the requirement for any third-party representations to be considered in due course – agreed to delegate authority to the Chief Executive to make any further and final decisions.

## **6. Customer Forum**

### **6.1 Customer Forum update and discussion**

The Chair of the Customer Forum provided an update on progress with establishing the SRC21 Customer Forum. The Customer Forum Chair reported that the Forum is now fully established and has begun its work. The Commission noted the good progress made and asked to be kept informed as work progresses. The Customer Forum Chair invited the Commission Chair to a future Customer Forum meeting.

The Commission noted the update and thanked the Customer Forum Chair for the invite (date to be confirmed).

## **7. Scottish Water**

### **7.1 Presentation by Scottish Water on the Investment Programme**

Scottish Water's Director of Strategic Customer Service Planning and Director of Capital Investment provided a detailed update on the delivery of the Investment Programme.

The Commission noted the update and thanked SW on their excellent presentation.

## **8. AOB**

The Chair proposed a new format for future Commission Board Meetings, with a move to monthly meetings. The Scottish Government will be asked to attend 6 monthly.

It was agreed that a CEO update report and a Finance update report would continue to be provided at Commission meetings. An additional standing agenda item would be consideration of future topics for discussion. Also, the agenda would include an opportunity for members to provide a verbal update on recent relevant activities.

It was also suggested that a presentational 'slides' format for Commission Papers would be preferred where possible. The papers should also refer to decisions on the topic already made.

The Chair noted the requirement for annual performance reviews for members and will be taking this forward.

The Chair thanked everyone for attending.

The next Commission Meetings will be 14 September 2017.