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

By conference call on 3 June 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

 Colin McNaughton, Assistant Director

 Michelle Ashford, Chief Operating Officer

 Shona Coan, Head of Finance (item 3.2 onwards)

 Julie West, Hymans Robertson (item 5.2 only)

**Chair’s opening remarks**

The Chair opened the 139th 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 138th meeting Min04/21

The Commission **approved** the minutes of the 138th meeting.

**2.3 Summary of action points AP05/21**

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

* **AP2**: Jo Armstrong asked about the progress being made to establish the IPPG and DAG meetings in the form that was required to implement the SRC 2021-27. It was noted that progress was slower than WICS would have liked but there is a recognition of the need for change and progress is being made through the Transformation programme.
* **AP5**: it was noted that the Audit and Risk Committee (**ARC**) had not fully addressed the issues referred to in this AP. It was hoped that the Chair of the ARC would be able to report back that the AP could be deleted after the next ARC meeting.
* It was noted that there was no regular finance report this month. The finance team have been fully engaged on end of year activity. A finance update would be provided to the next Board meeting.

**2.4 Non-Executive Members Update Oral**

 Ann Allen shared some insights on the construction industry and the ongoing impacts of Covid-19 and Brexit. The construction industry is facing inflation pressure, a lack of materials and labour shortages. The Board discussed the impact of these pressures on Scottish Water, noting that it would expect Scottish Water promptly to identify any such pressures and their impact on its programme and activity, given the Commission’s approach to regulation.

 Ann Allen also highlighted that research was starting to become available now on home working and the impacts on staff wellbeing and productivity of flexible working. The Board discussed the impact of these pressures on WICS and our own future office planning.

 Robin McGill asked for some confirmation on the new Scottish Government ministerial appointments and the implications for WICS of the change in portfolios.

**3. Business Updates**

**3.1 CEO Update CP17/21**

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

**Scottish Water Transformation Plan**

The Chair asked for further information as to Scottish Water’s progress with the development of its Transformation Plan. Scottish Water are now progressing with ‘Sprint 4’, which will focus on drawing together the work completed to date.

1. **Incentivising an efficient and effective Scottish Water**

**Scottish Water performance**

**Delivery Assurance Group**

It was noted that the DAG meeting in June would be the final report for the SRC 2015-21 regulatory period. The next CEO Update paper would provide Board members with an update on the key issues arising.

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**

**Supporting Scottish Water’s investment planning and prioritisation approach**

It was noted that preparation for the IPPG meeting in June is underway. The next CEO Update paper would provide Board members with an update on the key issues arising.

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

**International projects in delivery**

**Department of Internal Affairs (DIA) project**

Donna Very noted that we are continuing to engage with the DIA to support their programme of change.

We are continuing to discuss with the DIA the scope of any future support.

**International projects in development**

**Relationship building**

Robin McGill asked about the proposed Serbia project. Colin McNaughton noted that the main purpose of this activity was relationship building. The exercise is at a very early stage, and we will support the PQQ process in the coming weeks.

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

**IT and cyber resilience**

It was noted that a potential vulnerability associated with 3rd party software had successfully been identified and addressed.

The Board noted that our cyber security systems had responded well to the incident to maintain our system security.

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

**Future working arrangements**

Jo Armstrong asked for some further information on the future working arrangements for WICS given the sub-letting of the Moray House office. The Chief Executive noted that we were continuing to follow the 4-stage plan that had been endorsed by the Board in December. We have engaged with staff on future working arrangements. Andrea Mancini confirmed the themes that have come out of the staff consultation:

* Staff do not want to lose the flexibility of the current remote working arrangements;
* There is a recognition that lockdown had forced better communication across the office;
* The ‘future office’ would be a different place – the interactions will be different than what we have had in the past;
* Some feel more effective working at home – others do not. Future plans need to recognise that different arrangements will suit different people;
* There is a clear demand for social interaction opportunities when conditions allow;

Ann Allen noted that the Chief Executive had shared some of the work that had been done to date and she was impressed with the quality of it. There is a need now to update staff and identify next steps.

The Chief Executive confirmed that we are currently targeting October to start getting people back together – assuming conditions allow - to achieve some level of social and working interaction. This timescale is not yet fixed given that many of the younger staff members will not be vaccinated for some time yet. We will keep polling staff to test views and identify any changes.

It was agreed that the Chief Executive would prepare an update on the agreed 4-stage process and the current view of next steps, including an update on the expected position with ZWS and Moray House moving forward.

**Key Performance Indicators**

It was noted that Board members would like to have an update on WICS progress to achieving its outcomes this year and progress against the KPI.

The Board **noted** the CEO Update.

**3.2 Audit and Risk Update CP18/21**

 The Chair of the Audit and Risk Committee provided a summary of the key activities of the meeting held on 11 May 2021. The Board discussed the delays in Audit Scotland’s expected audit activity and the impact on the preparation of the 2020/21 accounts.

 The Board **noted** the report.

**4. Decision papers**

**4.1** **Strategic Risk approach CP19/21**

The Board discussed the paper. The Board welcomed the new Risk Management Strategy, the final format and wording of the strategic risks and the proposed management actions. The Board provided comments on the risk management strategy and the strategic risks and it was agreed that these would be incorporated as the risk reporting was taken forward.

The Board **approved** the risk management strategy and the action plans for each of the strategic risks.

# 4.2 Board meeting dates 2021/22 CP20/21

The Board **approved** the proposed approach for meetings and the proposed meeting dates for 2022.

1. **Further information papers**

# 5.1 Competition report CP21/21

Andrea Mancini presented the Competition report and responded to several questions from the Board.

It was noted that WICS’s key role in the retail market is to ensure orderly participation in the market by licensed providers. Our interventions are designed to ensure that proper arrangements are in place: for example, in the event of supplier failure.

The Commission thanked Andrea Mancini for a very informative presentation.

**5.2 Pension update CP22/21**

#  Julie West from Hymans Robertson joined the meeting. Julie West provided a briefing to the Board on the background to the IAS19 reporting arrangements and the implications for WICS pension reporting. Julie responded to questions from the Board.

The Board thanked Julie for her presentation.

# 6. AOB

The Commission Secretary recorded the **approval** by the Board members of Commission paper CP16/21 which had been circulated by email on 26 May 2021.

There was no further business.

The Chair thanked all for attending and closed the meeting.