

**Minutes of the 144<sup>th</sup> Board meeting of the Water Industry Commission for Scotland  
on 7 April 2022**

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

**In attendance:** Ian Tait (Deputy Chief Executive)  
Michelle Ashford (Chief Operating Officer)  
Andrea Mancini (Assistant Director)  
Colin McNaughton (Assistant Director)  
David Satti (Assistant Director)  
Donna Very (Assistant Director)  
Shona Coan (Head of Finance) – Section 8 of item 3.1 onwards

**Chair's opening remarks**

The Chair opened the 144<sup>th</sup> meeting of the WICS Board and welcomed Board members.

The Chair paid tribute to the Deputy Chief Executive ahead of his retirement. He extended thanks on behalf of the Board and organisation for his service to WICS and the water industry over the last 20 years.

**1. Apologies for absence**

There were no apologies.

**2. Minutes of the last meeting and regular updates**

**MIN 02/22**

**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 143<sup>rd</sup> meeting**

The Board **approved** the minutes of the 143rd meeting.

### 2.3 Summary of action points

AP 02/22

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

- The assignee for action 1 should be updated following the departure of the Deputy CEO.
- The office will provide an update on Business Stream's governance arrangements to the Board once further information is available.
- The Board extended thanks to the Head of IT Services for the continued effort on cyber security training and awareness raising.

### 2.4 Non-Executive Members Update

Jo Armstrong attended a recent CMA event on regulation and highlighted the ongoing interest in ageing infrastructure. The Board noted synergies with our work on asset replacement and advised that there is a wider audience for our analysis. Ann Allen also noted there are similar discussions ongoing in DEFRA's work on asset replacement in the flooding space.

The Board acknowledged that, despite challenging political and economic circumstances, it will be important not to lose sight of Scottish Water's longer-term asset replacement and asset management commitments. The Board identified this as a key risk in achieving sustainable water industry that is fit to respond to current and future challenges.

## 3. Strategic discussion

### 3.1 SRC27 Methodology

CP 04/22

The Chief Executive summarised the key lessons learned during the Strategic Review of Charges 2021-27 process and our current thinking on how we will conduct SRC27.

The Board **discussed and agreed** the proposed process for developing the methodology for SRC27. In addition:

- The Board agreed it would be helpful to separate formal 'business as usual' board meetings from future strategic discussions. Board Members requested that, where possible, strategic discussions should be held in person.
- The Board requested short briefing papers with suggested further reading in advance of strategy discussion sessions.

The Chief Executive asked the Board to consider the key themes to be explored during strategy discussions. Themes will remain flexible throughout the year to allow priority areas to be brought forward where required.

### 3.2 Scottish Water's strategy

CP 05/22

MIN 02/22

April 2022

The Chief Executive provided reflections on Scottish Water's work during SRC21 to develop a Strategic Plan and the ongoing work to develop its transformation plan. He outlined the concerns that we had with Scottish Water's Strategic Plan as highlighted in our Draft Determination. As a result, we outlined in our Final Determination the requirement for Scottish Water to produce a Transformation Plan.

The Assistant Directors provided an overview of recent work on Scottish Water's investment strategy and the Board **discussed** progress to date.

The following key observations were made on next steps:

- The Board **noted** that Scottish Water intends to provide a strategic update to its Board in September 2022.
- The Board **agreed** and requested that, as part of this strategic update, Scottish Water commits to a series of key milestones that will demonstrate its progress by September 2023. This will include commitments around developing analytical capability, progress on the analysis of funding, financing and costs; and ranges for investment requirements.
- The Board also expects to see significant progress on our recent information request to Scottish Water and a commitment from Scottish Water on a timeline to complete this work.
- Board Members agreed there is a need for open and candid discussion among industry stakeholders about what can be achieved within the financial envelope available. The work required to deliver Scottish Water's strategic update will enable these discussions and facilitate open conversations on the options that exist.

The Board **noted** the senior personnel changes that will be taking place within Scottish Water over the coming years. The Board also **noted** a possible water sector legislation review in 2023/24.

## 4. Business update

### 4.1 CEO update

CP 06/22

The Chair asked Members to indicate any areas they would like to discuss or seek further clarification on. The Board made the following observations on the content of the CEO report:

#### Scottish Water data and information

The Board **noted** the Chief Operating Officer's work in supporting Scottish Water's data, information and reporting frameworks.

There is currently more work required to support the monitoring of Scottish Water's investment programme. The Board **noted** the important link between our recent information request to Scottish Water and our monitoring of the investment programme and the ongoing work with Scottish Water to improve its investment reporting.

#### Retail market health check

The Chair requested an update on the appointment of a market health checker. The Assistant Director explained that a small stakeholder panel has been developed consisting of representatives from

licensed providers, the CMA and Scottish Water. This panel has short-listed three candidates for the role. Once the market health checker is in place, focus will turn to scoping the health check process. The expectation is that licensed providers own this process. CAS (Consumer Scotland from May) will also be involved to ensure there is appropriate focus on behaviours and outcomes. We expect the market health check will be in place by summer this year.

### **International**

The Assistant Director provided an overview of international work and future project opportunities in New Zealand and Romania. The Board **noted** the office's work in this area.

### **Whistleblowing**

The Assistant Director confirmed that our revised internal and external whistleblowing policies have now been reviewed by our legal advisors and are signed off as compliant.

The Board questioned whether we may consider a third party as an escalation route given the small size of our office. The Assistant Director provided assurance that our internal escalation routes are currently proportionate and fit for purpose and agreed to keep this under review.

### **Code of Conduct**

The Board **approved** and agreed to formally adopt the revised Code of Conduct. The Chair thanked the office for its support in making the required changes to the code.

### **Finance**

The Head of Finance provided an overview of financial results for the year to 28 February 2022. There were no material variances identified would impact the delivery of the objectives set out in the Corporate Plan.

The Head of Finance also confirmed that Audit Scotland will continue to be our external auditor for the next five years.

The Board **noted** this update.

## **5. Decision papers**

### **5.1 Annual work plan and budget**

**CP 07/22**

The Chief Executive introduced the 2022-23 work plan which sets out, in broad terms, our activities in each key area. The Board noted that there will need to be a degree of flexibility in our work programme throughout the year due to the work ongoing with Scottish Water to support its investment strategy.

The Head of Finance confirmed that the budget is aligned to what has been agreed within our Corporate Plan.

The Board **approved** the budget and workplan for 2022-23 and made the following observations:

- The Board asked that we consider including a reference to our plans to support net-zero in our workplan.

- The Board suggested that we ensure there is sufficient training and development for the executive team as they develop into their roles.
- The Board asked that we consider developing further KPIs that measure our internal efficiency.
- The Board questioned whether the lack of permanent office accommodation has been considered in our work plan. The Chief Executive explained that it is unlikely that we will have identified a permanent base this year, however, we are likely to incur more costs over the next year for meeting rooms which has been reflected in our budget.

### **Meeting close**

The Chair thanked Board Members and the office for their contributions and brought the meeting to a close. He offered a final thanks to the Deputy Chief Executive for his service ahead of his retirement.

### **AOB**

Date of next meeting: 5 May 2022.