

Minutes of the 145th Board meeting of the Water Industry Commission for Scotland on 1 June 2022

Present:	Donald MacRae (Chair) Alan Sutherland (Chief Executive) [until 11:50] Jo Armstrong (Member) Robin McGill (Member)
In attendance:	Michelle Ashford (Chief Operating Officer) Colin McNaughton (Director of Analysis) [until 11:50] David Satti (Director of Strategy and Governance) Donna Very (Director of Corporate and International Affairs) Andrea Mancini (Assistant Director) Richard Pollock (Head of IT Security) – Paper 3.1 of section 3 only

Chair's opening remarks

The Chair opened the 145th meeting of the WICS Board and welcomed Board members.

1. Apologies for absence

There were apologies from Ann Allen.

2. Minutes of the last meeting and regular updates

MIN 03/22

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 144th meeting

The Board **approved** the minutes of the 144th meeting.

2.3 Summary of action points

AP 03/22

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

- 01: The Chair will continue to attend future IPPG meetings where possible. The Director of Strategy and Governance will ensure the Chair remains invited to these meetings.

- 02: The Assistant Director confirmed that we remain on schedule to provide an update to the Board in August 2022.
- 03: Action closed, update provided at item 3.1.
- 04: Action closed, update provided at May meeting.
- 05: We remain on schedule to provide an update on FOI requests and retention policies in August 2022.

2.4 Non-Executive Members Update

The Chair noted ongoing inflation pressures and questioned the impact this is having on Scottish Water's investment programme.

3. Business updates

3.1 Cyber Security

CP 08/22

The Head of IT Security updated the Board on the office's cyber security arrangements and the steps being taken to increase cyber resiliency. This includes significant efforts to raise staff awareness to develop a culture of collective responsibility in this area.

The Board was pleased to note that WICS has received Cyber Essentials Plus (CE+) accreditation following another successful annual audit and that security patching is significantly reducing the likelihood of vulnerabilities being exploited.

The Board was made aware of some key differences between the way in which SEPA and WICS configure IT infrastructure and therefore the differences that a cyber attack could have. Board members were encouraged to read the review of SEPA's incident by Grant Thornton. The office is following up on any recommendations relevant to WICS.

The Head of IT Security highlighted the recent review of the Business Continuity Plan (BCP) carried out by Scottish Business Resilience Centre. Feedback has been positive and further incident response and recovery testing will be carried out through 2022 to ensure we are prepared to respond and recover from any incident.

The Board thanked the team for efforts in this area and noted interest in participating in future BCP test scenarios. The Board emphasised the importance of continuing to learn from other organisations and to continue training staff while monitoring the threat landscape.

The Chair specifically noted the efforts to educate the organisation.

3.2 CEO update

CP 09/22

3.2.1 Scottish Water's transformation, strategy development and capability

Scottish Water strategy

The Director of Strategy and Governance provided an update on Scottish Water's progress in developing its investment strategy. Concerns were noted around Scottish Water's progress to date particularly in the ability to provide the analysis of the key strategic decisions which requires additional capabilities and

leadership. The aim of the Investment Strategy work is to provide clarity on what Scottish Water must deliver and by when including the need to meet the 2040 net zero target. The WICS team will continue to focus efforts on asset replacement and financial modelling.

The Board recognised the difficulties faced and acknowledge the need to continue to provide leadership in this area. However, the Board also questioned whether we can reasonably expect any progress or change from Scottish Water at this time, given the impending change in Chief Executive at Scottish Water, and if not, what actions from WICS are required.

Information submission

The Director of Analysis provided an update on Scottish Water's progress on the information submission. The Board noted that progress to date is slower than expected and we have since received a letter from Scottish Water confirming it is unlikely that we will receive the submission in full as requested. The Board also noted that some of the changes made by Scottish Water in the way it collects information which is impacting its ability to produce the information submission will also impact Scottish Water's ability to complete the WICS Annual Return.

The Board raised questions about WICS's continued support in light of Scottish Water's progress in both the strategy area and on the more immediate information submission.

The CEO confirmed that we will issue a letter to Scottish Water in the coming weeks to stress the importance of the information submission. This letter would also confirm WICS intention to continue to transition charges to support the delivery of long term asset replacement needs and net zero by 2040.

The Board agreed with the proposed approach and thanked the team for the full discussion.

3.2.2 International projects

The Director of Corporate and International Affairs provided the Board with an update on our work with the DIA, Ministry of Transport in New Zealand, and on our engagement with the newly formed Taumata Arowai who will be visiting the UK in June.

The Chair congratulated the team on their efforts to build new and existing relationships with our colleagues in New Zealand and Australia.

3.2.3 Retail market framework

Market Health Check

The Assistant Director updated on progress appointing a Market Health Checker. The Board welcomed next steps and look forward to future updates.

Licence applications

The Assistant Director provided a brief update on developments in relation to licence applications, noting the possible temporary suspension of the consultation of any new licence until the Market Health Check is in place.

The Board agreed with the proposed approach and noted this update.

3.2.4 Organisation

Finance

The Director of Strategy and Governance provided an overview of the year end numbers that will go into our Annual Report and Accounts. Board Members noted their interest in understanding some over spends and under spends and in particular the recent website project. The CEO reminded the group that the scope and timing of the website project changed to accommodate government pressures relating to Covid-19 for the SRC21 and publication of the final determination. This is an area that the Audit and Risk Committee (ARC) is reviewing.

The Chair congratulated everyone involved in the launch of the new website, pointing out that all Members were very appreciative of the work completed.

The Board noted this update and the anticipated publication of our Annual Accounts in December 2022.

Policies and procedures

The Board noted the update regarding ongoing work to develop revised financial policies and procedures. A further update will be shared with the Board for discussion in August.

Key Performance Indicators

The Board agreed that the ARC should be monitoring KPI process while the Board should be looking at the output of those KPIs and what they are telling us about delivery/non-delivery.

The Chair requested that KPIs are included as part of the main Board agenda to be discussed by exception only.

Meeting close

The Chair thanked Board Members and the office for their contributions and brought the meeting to a close.

AOB

Date of next update meeting: 7 July 2022.