

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

By conference call on 4 March 2021

Present: Donald MacRae (Chair)
Alan Sutherland (Chief Executive)
Jo Armstrong
Robin McGill
Ann Allen (joined at 9.40am)

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
Michelle Ashford, Chief Operating Officer

Chair's opening remarks

The Chair opened the 136th 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 135th meeting

Min01/21

Subject to a correction on page 3, the Commission **approved** the minutes of the 135th meeting.

2.3 Summary of action points

AP02/21

The Commission **noted** the summary of actions.

2.4 Non-Executive Members Update

Oral

The Board discussed development in UK Government policy on subsidy control and the UK internal market.

Jo Armstrong referred Board members to the recently published Penrose Report dealing with future improvements in the UK's approach to competition and consumer issues.

3. Business Updates

3.1 CEO Update

CP04/21

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

Scottish Water Transformation Plan

The Deputy Chief Executive provided an update on Scottish Water's activity in delivering the transformation plan. Work continues with McKinsey. Scottish Water are well through the second sprint which focuses on lean delivery and customer centric outputs. The third and final sprint will look more at Scottish Water culture and capability.

WICS are engaged with the Scottish Water transformation team on a weekly basis and with a group of Scottish Water senior leader's fortnightly. This provides WICS with visibility of the process.

The process is very fast and intensive and WICS are mindful that the process is challenging for Scottish Water to deliver.

The Chief Executive responded to Board members questions on the EBR support group review and outputs. The Board discussed ways of ensuring that WICS and other stakeholders operate in an open and transparent way. The Chief Operating Officer noted that the EBR support group were seeking to use the next survey to delve a bit deeper on the respondent's views of progress towards openness and transparency.

It was noted that Scottish Water's journey of cultural change will take time to achieve and that WICS and the wider stakeholders will need to continue to support that journey.

It was noted that the SAG group would continue to meet with a revised focus on horizon scanning and the medium term. The revised Terms of Reference would be shared with the Board.

2. Incentivising an efficient and effective Scottish Water

Scottish Water performance

The Chief Executive provided some further information on the development of Scottish Water's delivery plan for 2021.

Delivery Assurance Group

The Deputy Chief Executive provided some additional detail on the DAG meeting.

3. Ensuring that the retail market delivers maximum benefits for customers

Covid-19 support measures

Andrea Mancini provided additional information on the progress of the Working Group to agree a proposal to phase out the Covid-19 support from the retail market. The Chief Executive responded to several questions from Board members around the market health check and WICs role in implementing that aspect of the proposals.

4. 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

The Board discussed the development of Scottish Water's investment appraisal advisory group and the progress on incorporating the impact of non-financial benefits into the appraisal process.

Ann Allen noted that there was scope for Scottish Water to provide comparators of delivery timelines against industry benchmarks as well as their own programmes.

5. Acting as a hub of information and expertise to support decision making

Developments in England and Wales

The Chief Executive confirmed that timescales have slipped again in England and Wales for the publication of the CMA's final determinations. A summary of the CMA's approach and the final determination will be shared with the Board in due course.

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

International projects in delivery

Donna Very provided some additional information on the ongoing delivery of the current New Zealand project.

International projects in development

Board members discussed the proposal to provide ongoing advice to Watercare throughout the water reform process. It was noted that the proposal and project appraisal provided to the Board required further development.

The Board **approved** the project in principle, subject to the Board having sight of update project documentation.

The Board **noted** the CEO Update.

3.2 Finance Update

CP05/21

Robin McGill confirmed that he is supporting the finance team to reformat the finance reports moving forward.

The Board **noted** the report.

3.3 Audit and Risk Committee Update

CP06/21

The Chair of the Audit and Risk Committee provided an update on the meeting held on 9 February.

The key areas of discussion had been around the external audit process for 2020/21; the development of the risk management processes; the regular compliance report produced for the committee; the ARC workplan for 2021/22; the development of a skills matrix for the ARC members and the annual ARC self-assessment.

The Board **noted** the update.

4. Information Papers and reports

4.1 Annual Work Plan and Budget 2021/22

CP07/21

The Board confirmed that the draft Annual Work Plan was of a high quality and reflected the requirements that they had for the document. It was agreed that the proposed KPI's would be revisited to see if they could be expressed in more detail.

The Chief Executive responded to several questions on the draft Budget for 2021/22, including the potential tax treatment around the Hydro Nation income.

The Board **approved** the Annual Work Plan and Budget for 2021/22.

5. Additional Papers

5.1 Schedule of Conference and other meetings

CP08/21

The Board **noted** the report.

6. AOB

There was no further business. The Chair closed the meeting.