

One hundred and forty second meeting of the Water Industry Commission for Scotland

By video call on 2 December 2021

DRAFT

Present: Donald MacRae (Chair)
Alan Sutherland (Chief Executive)
Jo Armstrong
Robin McGill

In attendance: Ian Tait, Deputy Chief Executive
Colin McNaughton, Assistant Director
Donna Very, Assistant Director
Andrea Mancini, Assistant Director
David Satti, Assistant Director
Shona Coan, Head of Finance (section 8 of item 3.1 onwards)

Apologies: Ann Allen

Chair's opening remarks

The Chair opened the 142nd meeting of the Commission and welcomed Board members. The Chair thanked the Board for the useful discussions at the Commission Update meeting held on 4 November.

The Chair intimated that he had now been formally reappointed to the role of Board Chair for a further 4-year term. The Board noted congratulations to the Chair on his reappointment.

1. Apologies for absence

Apologies received from Ann Allen.

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 141st meeting Min07/21

The Commission **approved** the minutes of the 141st meeting.

2.3 Summary of action points AP08/21

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

- The Chair has requested a review of the WICS whistleblowing policy. The updated policy would be shared with the Board in due course.
- The Chief Executive provided an update on the Scottish Water review of Business Stream's governance arrangements. Scottish Water have not yet confirmed their proposed arrangements. Once confirmed, WICS will review and respond.

2.4 Non-Executive Members Update Oral

Jo Armstrong noted ongoing inflation pressures and material shortages in the construction industry and their impact on Scottish Water.

3. Business Updates

3.1 CEO Update CP28/21

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

Scottish Water Transformation Plan

The Board were updated on the ongoing activity with Scottish Water to support the development of its strategy in respect of its investment priorities and options. WICS analysts are supporting this work. There remains concern about Scottish Water's capacity and capability to deliver this. WICS recognised that the transformation journey will take time and that Scottish Water are on a journey of change.

The Board discussed the Scottish Water advisory group and its progress and remit. The office continues to ask Scottish Water to provide visibility of the outcomes in relation to their strategic plan and milestones to achieving those outcomes. It was also confirmed that WICS is an observer in the process, there to ask questions and provide challenge but the process is owned by Scottish Water. Scottish Water have not yet the corporate structure required to deliver the transformation and are continuing to develop their thinking on those issues.

We are continuing to follow the development of the transformation plan to ensure that the ambitions of the SRC 21-27 outcomes can be delivered.

2. Incentivising an efficient and effective Scottish Water

Scottish Water performance

The Deputy Chief Executive provided an update on the Scottish Water performance report for 2020/21 and outlined key messages.

3. Helping to ensure that the retail market maximises benefits for customers

Covid -19 measures

It was confirmed that all of the licensed providers had now prepaid the Scottish Water wholesale charges and the market had reverted to the pre pandemic position.

Market Health Check

Some further details of the planned market health check and the timing for developing the model with the licensed providers in the next year was shared with the Board. The licensed providers, with the support of CAS, are seeking to create space to discuss strategic issues within market.

The Chair noted his thanks for the progress being made in this area.

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

Identifying areas of best practice

The Chief Executive responded to a number of questions about the impact of the Scottish quality regulators response to the sewerage discharges in England and Wales and any expected changes to the Scottish framework of legislation on water quality.

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

International projects in development

Relationship building

An update of ongoing activity to identify new international opportunities for work including ongoing discussions with BDO Romania, the New Zealand DIA and conference speaking opportunities was provided to the Board.

The Board **noted** the CEO Update report.

3.2 Future Working Model Update

Oral

The office provided an update for the Board on the current thinking on WICS future working model. This summarised the most recent engagement with staff and potential options for working models moving forward.

The Board commended the approach.

Robin McGill noted that it would be useful to engage with Board members about their views on the future working model given that they are also working in the current remote environment.

The office is expected to start some face-to-face engagements in late March 2022. One of the key messages from staff had been to not move too quickly and to test the options before making a final decision.

4. Decision papers

4.1 ARC update

CP29/21

The Chair of the Audit and Risk Committee (ARC) introduced the report. The Chair of the ARC highlighted the key points of the report and provided an overview of the revised document circulated to the Board on 30 November.

The Chair of the Board noted the Boards thanks to the whole of the ARC for their work this year, particularly around risk management and addressing the outstanding Audit Scotland comments on KPI's.

The Board **noted** the report.

4.2 Annual Report and Accounts 2020/21

CP230/21

The Annual Report and Accounts for 2020/21 were presented to the Board.

The Board:

1. **approved** the annual report;
2. **approved** the annual accounts for the financial year to 31 March 2021;
3. **recommended** that the Chief Executive as Accountable Officer could sign the accounts; and
4. **asked that that we proceed** to lay the completed annual report and accounts before the Scottish Parliament.

5. AOB

The Chair noted that the Standard Commission for Scotland were just about to publish a new Code of Conduct for members of public bodies. This would apply to WICS. It was agreed that the Commission Secretary would arrange a training session for the Board and the ARC members on the new code as soon as possible.

The Chair thanked all for attending and formally closed the meeting.