

NI Water Ltd
("the Company")

Minutes of a Meeting of the Board of Directors (the "Board")
on Tuesday 28th May 2024 @ 10.30 am
IOC Conference Room, Westland House

Present:

Jo Aston	Chair
Danny McSorley	Non Executive Director
Paddy Larkin	Non Executive Director
Marie-Therese McGivern	Non Executive Director
Belinda Oldfield	Non Executive Director
Maurice Bullick	Non Executive Director
Sara Venning	Chief Executive
Ronan Larkin	Director of Finance, Regulation and Commercial
Stephanie McCullagh	Director of Customer and Operations

In attendance:

Mark Ellesmere	General Counsel & Company Secretary
Gary Curran	Director of Engineering and Sustainability
Rose Kelly	Director of People & Learning
Alistair Jinks	Director of Business Services
Tzvetelina Bogoina	Director of Infrastructure Delivery
Trevor Hutchinson	Head of Health and Safety (Item 2)
Paul Dillon	Head of Future Workplace (Item 9)
Pete Semple	Chief Information Officer (Item 10)
Andrea Rushby	Head of Information Security (Item 10)

Apologies: None

There were no conflicts of interest declared at the beginning of the meeting.

1. Minutes and Actions from Previous Meeting

- The draft minutes of the meeting on 23rd April 2024 were approved.

2. Health and Safety Report

- The update report was noted, with no reportable incidents in period and continued good progress across the high risk compliance areas within the Health and Safety action plan. It was noted that progress was being maintained on existing work packages such as PUWER and DSEAR, however future additional remedial work, not yet identified and outside of current agreed work packages is not within current budget. It was noted that, where such additional work is identified, the Board would have to decide what other work to stop or defer in order to give priority to Health and Safety requirements. Reference was also made to the DFI Minister's recent letter on indicative funding allocations for

24/25 with reference to the Board ensuring that its duties to protect Health and Safety are met.

3. Funding and Regulatory Compliance

- The Chair provided a verbal update on her most recent meeting with the DfI Minister and referred to the subsequent indicative budget 24/25 letter from the Minister.
- The CEO provided a verbal update on her most recent meetings with the DfI Permanent Secretary and a separate meeting with the DfI Deputy Permanent Secretary and the CEO of the UR. It appeared that there was some dissonance between DfI and the UR as to the way forward in the current funding circumstances. The Chair and CEO of the Company will meet with their counter-parts at the UR on the 19th of June.
- In response to a question the General Counsel and Company Secretary confirmed the position in relation to the time limit for a legal challenge to budget allocation. A number of slides were then presented to Members covering RDEL, CDEL, Regulatory Compliance and Economic Development Constraints. The Director of Finance, Regulation and Commercial presented a revised set of slides (compared to that shared with Members in advance of the meeting) on RDEL to reflect indicative allocations recently set out by the DfI Minister. Significant risk was highlighted in relation to an indicative RDEL allocation of £137m (compared with £176m in the Company's Operating Plan and Budget and the UR's recent assessment in the Mid-Term Review of £178m). Members then considered in detail the RDEL cost areas highlighted within the presentation and confirmed whether or not, in the Board's independent assessment, potential cuts in these areas may be possible. This would be on the basis that, if necessary, additional funding could be bid for in the monitoring round process and the risk in reducing costs in these areas would be clearly explained to DfI. A detailed breakdown of costs described as "other", amounting to £32m was also provided. An analysis of previous years' expenditure in these areas was requested.

It was agreed that a holding response be issued to DfI in relation to the 24/25 indicative funding allocation letter with a more detailed response to include a revised Operating Plan and Budget by the end of June. It was also agreed that the Company respond to the June monitoring round submission with bids for appropriate RDEL and CDEL allocations aligned with the current Operating Plan and Budget.

- The Director of Infrastructure Delivery presented slides in relation to CDEL confirming preparations for a flexible delivery plan in anticipation of additional capital funding in year. It was confirmed that Health and Safety spend had not been impacted in the plan for a Capital Programme at £321m subject to the earlier discussion at agenda item 2. The Chair asked for an additional number of slides to be prepared across a number of areas. The potential impact of a £321m CDEL allocation on the Living with Water Programme was noted, not least the fact that it would take longer and be significantly more costly to deliver. A recent report by the NIAO on the delivery of large capital projects in NI was also referred to in this regard. It was noted that there was a continued

risk of enforcement action by relevant regulators, including the UR, where the Company failed to meet its current targets as set out in the PC21 FD. It was further noted that, if those outputs were reduced, then income would be reduced accordingly (customer tariffs would fall, due to the reduced services being provided).

- The CEO summarised the remaining slides in terms of the draft prioritisation / guiding principles to be shared and agreed with all key stakeholders as well as information in relation to development constraints that would shortly come into the public domain and was likely to result in increased media attention. A meeting was planned with DfI Senior officials on the 11th June (pre-meeting on 5th June) in order to review these matters and agree a way forward.

4. Update from Joint Risk and Audit Committee

- The Chair of the Audit Committee briefed the Board on matters arising from the recent Joint Audit and Risk Committee meeting including the likelihood of a material uncertainty in the statutory accounts in relation to funding. This position will be confirmed at the June Board meeting, DfI was aware of the position. The Audit Committee Chair also referred to the Annual Internal Audit opinion which was “limited”. Committee members had asked the Head of Internal Audit to reflect on feedback from the meeting, namely that the cause of the “limited” opinion was entirely outside the control of the Company. Without impugning the integrity of the Head of Internal Audit or of the opinion, Deloitte had been requested and had agreed to review the process leading to the opinion. The CEO provided a verbal update on Deloitte’s initial assessment which was that the process appeared to be in order. A revised opinion would be brought back the next Audit Committee meeting in June. Board Members confirmed that they were content with the approach being taken in this matter.

5. Main Board Report

- The report was taken as read. The CEO highlighted recent developments in relation to Lough Neagh, Mid Term Review and an ongoing water quality incident in Devon involving cryptosporidium.

6. PPP Exceptions Report

- The update report was noted.

7. Approvals

7.1 LWWP Belfast WWTW OBC

- Approved based upon the information provided, it was suggested that the OBC include a covering letter referring to the DfI Minister’s recent letter confirming an Executive commitment to the Living with Water Programme and the DfI Capital Funding Allocation.

7.2 KF425 113 Dungannon WwTW Phase 3

- Approved based upon the information provided within the paper.

7.3 Subsidy Assurance Statement

- Approved based upon the information provided within the paper.

7.4 C1230 Provision of Security and Ancillary Services – Approval to Award Contract

- Approved based upon the information provided within the paper.

8. Attendance & Welling Quarterly Update

- The update was noted.

9. Pension Update

- Members thanked the Chair of the NIWL Pension Scheme for the update.

10. Cyber Update

- The Chair thanked the Head of CIO and the Head of Information Security for their comprehensive presentation and video circulated in advance of the meeting.

11. Risk Committee Update – 22nd April 2024

- The Chair of the Risk Committee provided a verbal update in relation to the meeting on the 22nd April 2024 including reference to the draft minutes of the meeting. The Board approved the Proposed Corporate Threats & Opportunities 24/25 on the recommendation of the Committee. In response to a comment on the very high rating of a number of threats, the CEO confirmed her assessment that the Company was operating in a very high risk environment at present across a number of areas as a result of the ongoing funding position.

12. Forward Look

- The forward look was noted and should include a meeting between the Chairs and the CEOs of the Company and the UR on the 19th June.

13. AOB

- The Chair of the Remuneration Committee confirmed that the Committee considered and approved the 23/24 Pay Remit proposals for the Company aligned with the NICS approach to pay for the same period.