

<b>Title of Paper :</b>	Minutes of the Board Meeting - 24 <sup>th</sup> January 2017
<b>To be presented by:</b>	Chair
<b>Purpose of paper:</b> (approval/information)	For the Board to agree the minutes of its meeting for subsequent internet publication.
<b>Significant Issues:</b>	None

<b>Present:</b>	Len O'Hagan Peter McNaney John Rae Trisha McAuley Jim McCall Sara Venning Ronan Larkin Sean McAleese Paul Harper	Chairman Non Executive Director Non Executive Director Non Executive Director Non Executive Director Chief Executive Finance & Regulation Director Customer Services Delivery Director Director of Asset Delivery
<b>In attendance:</b>	Mark Ellesmere Dymphna Gallagher Paddy Cullen Stephen Bogan John Livssey Simon Turner Paul Dillon	General Counsel & Company Secretary Head of Safety and Asset Management (Item 2) Head of Communications (Item 6) Genesis (Item 6) Mercers (Item 7) Mercers (Item 7) Chairman Pensions Trustees (Item 9)
<b>Apologies:</b>	Kingsley Donaldson	Non Executive Director

The Chair recommended the appointment of Paul Harper to the role of Director of Asset Delivery. The General Counsel and Company Secretary tabled the appropriate consent and written resolution on behalf of Dfl to the appointment. The Board unanimously approved the recommendation.

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

**1. Draft Board Minutes - 19<sup>th</sup> December 2016**

The draft minutes of meeting on 19<sup>th</sup> December 2016 were approved.

**Board Actions**

- Board Actions complete or ongoing within agreed timescales.
- CEO provided an update on meeting with Minister prior to Christmas.
- It was agreed that a subsequent letter to the Minister on funding be read into the minutes (see Appendix 1).
- Board sub committee to deal with MSFM.

**2. Health, Safety and Attendance Report**

- No Company KPI incidents, one Contractor KPI incident in period.

- Plan underway to deal with Internal Audit assurance report on Health and Safety training.

### **3. Main Board Report**

#### Significant Matters in Month

- Regulations for continuation of subsidy passed by the Assembly the previous evening.
- Update and discussion on Project Clear.
- Discussion on back-billing plan.

#### Customer

- KPIs on track including 6 hour supply interruptions, leakage at risk, discussion on complaints.
- Increased score in stakeholder favourability survey at 62%.

#### Compliance

- On target.

#### Finance, Governance, Risk

- On target.

### **4. ACE Update - ACE Wave 2 - Business Case for External Consulting Support**

- The update presentation was noted.
- The draft business case was approved for submission to DfI based upon the information provided within the report.

### **5. PPP Exceptions Report**

- The update report was noted.

### **6. Brand Refresh**

- The Board received and discussed in detail a presentation on branding.
- Board support for the branding exercise with planning for early implementation.

### **7. Theme - NI Water Pension Scheme**

- The Board received and discussed presentation on the NI Water Pension scheme.

### **8. Approvals**

#### **8.i. 2017/18 Tariff Submission to UR**

- Board approved 17/18 Tariff Submission based upon the recommendation within the report.

#### **8.ii. 17/18 Budget**

- Board noted the current position and confirmed management should proceed as planned.

- 8.iii. **IF016 Framework for the Supply, Maintenance and Repair of Screening and Conditioning Equipment**
  - Permission to proceed to tender granted.
- 8.iv. **JI072 - Watemains Rehabilitation Framework - Update**
  - Approved based upon the information provided within the report.
9. **Pension Update**
  - The Board received an update from the Chair of the Pension Scheme.
10. **Audit Update**
  - The Chair of the Committee updated the Board on the meeting of 18<sup>th</sup> January 2017 including the appointment of an Acting Head of Internal Audit, an action on MSFM, assurance report in relation to health and safety training and KPMG's external audit plan for 16/17.
11. **Procurement Activity Report**
  - The update report was noted.
12. **Forward Look**
  - Noted
13. **Any Other Business**
  - Preparation materials for strategy day to issue within the next 2 weeks.

Chris Hazzard MLA  
Infrastructure Minister  
Clarence Court  
10-16 Adelaide Street  
Belfast  
BT2 8GB

Date: 21st December 2016

Dear Chris

At our meeting on 20 December you shared the likelihood that NI Waters resource and capital DEL budgets could be significantly reduced in 2017/18 as a consequence of public expenditure reductions.

NI Water is first and foremost a public health utility. The Public Health Authority and Drinking Water Inspectorate hold us to account for our activities because we have a direct impact on citizen health & wellbeing. NI Water was established as a Government Company in 2007, the same regulated model that is in place in Scotland, England & Wales was identified as the most appropriate model to drive the necessary improvements in water quality, wastewater compliance, cost efficiency and customer service. This model was recognised as best practice by OECD in their report "Implementing Joined up Governance for a Common Purpose (Jul 2016)"

As you are aware the NI Executive has committed to funding the domestic bills that were due to be issued by NI Water. It is important to note that the Executive has not signalled a move away from the principles of regulation. In signalling significant reductions to NI Waters funding we believe that an Executive policy decision to subsidise domestic water charges is being reversed. This raises the question whether it is acceptable to do so in the absence of legislative change and appropriate consultation across all key stakeholders as well as equality impact assessment considerations.

Since its establishment in 2007 NI Water has delivered approximately £2bn capital investment, improved water quality and wastewater compliance, avoiding infraction by European Parliament, more than doubled its customer service score and has sustainably reduced annual operating costs by £65M since its first regulated price control. NI Water has set out a clear plan to achieve further reductions in resource requirements and Capital efficiencies by 2021 via our Achieving Customer Excellence Programme.

Competing priorities for public expenditure have resulted in NI Water being underfunded when compared to the Utility Regulators Price Control determination for the final year of PC13 (14/15) and the first two years in PC15 (15/16 & 16/17). The company has sought to maintain levels of service and has harnessed prevailing favourable inflation rates and balance sheet adjustments to absorb these cuts without significant immediate detriment to the citizens and businesses of Northern Ireland. However, this is not sustainable and the severity of the adjustments you have described will have wide reaching consequences.

We have shared these consequences with the Permanent Secretary via the Water Policy Unit in DfI. They include

- Drinking water Interruptions and quality deterioration in clean water supplies - public tolerance for which has a very low threshold.
- Increased levels of out of sewer flooding and pollution events - hugely unpopular and unpalatable, as well as potentially breaching environmental legislation.
- Potential for non domestic customers being perceived as subsidising the government funded domestic elements of NI Waters charges.
- Potential that the Directors of NI Water will be unable to sign a statement of going concern.

We have agreed none of the above outcomes are in the interests of all stakeholders, not least, the citizens of Northern Ireland. Fundamentally it could be construed that the commitment by the NI Executive to fund domestic water charges is being amended without due process and

as such may be open to challenge. Delivering lower levels of drinking water quality, waste water compliance and customer service to citizens in Northern Ireland than those in NI Waters comparator company jurisdictions across Scotland, England and Wales seems to contradict the guiding principles under which NI Water was established. It is likely that the water indicator in the Programme for Government will be at risk.

I wish to place on record my concern that the regulatory model is being eroded to such an extent that decisions being taken today regarding funding may impact on our ability to deliver water and wastewater services in NI that are equitable to those in Scotland, England & Wales. Trading off expenditure to operate this public health utility with the requirements of a road network or public transport network is creating an unacceptable dichotomy. We would be pleased to meet with the Finance Minister and / or the First & Deputy First Ministers to highlight our concerns and explore how we put in place a sustainable, funded solution for Water & Sewerage provision in Northern Ireland which delivers for the health of citizens, the quality of the environment and 21st century infrastructure as part of a strong regional economy.

Yours sincerely,

Dr Leonard JP O'Hagan CBE DL  
NI Water Chairman