

Title of Paper	Minutes of the Board Meeting - 22 nd February 2012
To be presented by	Chair
Purpose of paper (approval/information)	For the Board to agree the minutes of its meeting for subsequent internet publication.
Significant Issues	None

Present:

Sean Hogan	Chairman
Don Price	Non Executive Director
Kevin Steele	Non Executive Director
Deep Sagar	Non Executive Director
John Rae	Non Executive Director
Jim Stewart	Non Executive Director
Trevor Haslett	Chief Executive
Ronan Larkin	Finance & Regulation Director
George Butler	Director of Asset Management
Sara Venning	Customer Service Delivery Director

In attendance:

Mark Ellesmere	General Counsel & Company Secretary
Pauline Sterling	EA/CEO

No Conflicts of Interest declared at the beginning of the meeting.

1. Draft Board Minutes - 25th January 2012

The Draft Board Minutes of the meeting held on 25th January 2012 were approved subject to minor amendment.

Board Action Points

All outstanding actions had been completed or were incorporated within the current Agenda.

Leakage Update

The Board discussed an update on leakage in detail. It was noted that as part of its major incident plan the organisation had a drought plan in place and this had been tested. It was noted that the economic level of leakage was expected

to be achieved by the end of the PC13 period (i.e. March 2015). The Water Resource Management Plan would be brought to Board for consideration at the March meeting.

[ACTION: Director of Asset Management]

2. Health and Safety Update

The Board noted continued strong performance in relation to both Health and Safety and staff attendance. Absence due to psychological reasons such as stress was reducing. It was noted that the Company would report on any incidents involving members of the public going forward within Annex 1 of the report.

[ACTION: Director of Asset Management]

(Bill Gowdy, Acting Director of Engineering Procurement, joined the meeting for the next 2 items.)

3. Main Board Report

The Board received an update from the CEO on key issues in month including completion of freeze thaw actions, potential release from data quality undertakings, positive assurance in relation to completion of a number of actions in relation to ICT disaster recovery and confirmation of NIW's accreditation under the Carbon Trust Accreditation process.

The Customer Service Delivery Director updated the Board in relation to Customer Service KPIs all of which were positive with the exception of CCNI Stage 2 complaints.

The Board noted an update from the Finance and Regulation Director in relation to financial performance which remained positive. The Board then discussed capital spend in detail with particular reference to pages 7 and 11 of the report. The Board received assurance that despite expenditure being 3% below forecast at the end of January the forecast spend of £185m would be invested by the year end. The Board also noted that the most up-to-date spend figures in relation to capital remained supportive of this position. The Chairman

asked that the Board be updated on a more regular basis on this issue going forward to the year end.

[ACTION: Director of Finance & Regulation]

It was noted that DRD was fully up-to-date on capital spend in terms of the current position. The Board agreed that the forecast capital spend must be achieved at the year end.

The Board noted an overview of customer debt and debt write-off on page 14 of the report. The Asset Management Director updated the Board on continued strong performance in relation to environmental compliance. Recent engagement with the Drinking Water Inspectorate had encouraged a focus on a number of underlying to water quality issues. In terms of governance matters it was agreed that “prior year” internal audit actions should be closed out and noted that all of the corporate risks would be presented to the Board at the year end.

(Agenda Item 7 was taken next.)

7. Procurement Plan 2012

The Acting Director of Engineering Procurement explained that a Procurement Plan was required to be submitted to NIAUR on the 1st March 2012 under NIW’s Licence. The Plan would cover the next 3 years. Having discussed the matter in detail including the potential impact guidance/directions from the NICS Procurement Board, the Board agreed that the plan should be submitted to the Regulator on the basis that the key objectives of the plan were clearly highlighted at the beginning of the document.

[ACTION: Acting Director of Engineering Procurement]

4. Procurement Committee

The Chair of the Procurement Committee updated the Board on the most recent meeting on the 13th February 2012. The Board approved the award of the contracts referred to within the report upon the recommendation of the

Committee. The Board also noted and agreed that the Committee's focus should move towards strategic policy and compliance matters going forward. A proposal paper would be brought to the next Board Meeting in this regard.

[ACTION: Chairman of Procurement Committee and CEO]

5. PPP/PFI Exceptions Report

The Board noted the current position in relation to this matter.

6. Procurement Activity Report

The Board noted the Procurement Activity Report and agreed that going forward, this report should go to the Procurement Committee in detail and a summary be provided to the Board. The Board noted continued progress in relation to the contract management project.

8. Operating Plan and Budget 12/13

The Board's approval was sought to submit the Operating Plan and Budget 12/13 to DRD. DRD had seen previous drafts of the plan and had also written to the CEO seeking assurance from the Board that NIW was not asking for more money than it actually needed in period. The Board noted that the relevant items bid for 12/13 had now been approved by NIAUR. It was noted that, should additional capital funding become available during next year, it would be difficult manage because of lack of year end flexibility. It was agreed that this issue should be reiterated at the next QSM. Subject to further clarification in relation to staff costs and reference to a strategic cost review on page 20 of the plan it was agreed that the plan be submitted to DRD.

9. Submission of NIW's 2010/11 Tax Return

The Board noted and approved the submission of NIW's 10/11 Tax Return upon the recommendation of the Finance and Regulation Director.

10. Insurance Programme Results 2012/13

The Finance and Regulation Director provided a detailed briefing on the outcome from the Insurance Programme tender. On the basis of the recommendations within the report the Board approved acceptance of the proposed insurance programme for 12/13.

11. Energy Reduction

(Charlie Pollock joined the meeting for this item.)

The Board noted that by the year end 16.5% of the Company's energy consumption would be green energy against a target of 15% by 2015. Comparison with other water utilities was ongoing through Water UK in order to feed into the PC13 process. The Board noted that the potential for forward buying of other commodities such as diesel was kept under review by the organisation. The Board agreed that whilst there were a number of very positive initiatives ongoing in relation to energy reduction there was a need for a higher level longer term strategy to be in place which would include the potential to enter into joint ventures with other parties in order to reduce consumption in a sustainable manner.

12. MSFM Update

The Board noted an update in this regard with particular reference to the Government Corporate Governance Code. The Board was not content to accept DFP's current position on this issue and the Finance and Regulation Director and the General Counsel and Company Secretary were instructed accordingly.

13. Pension Update

Pension Update was noted.

14. Weather Watch

The Board noted that the short term weather forecast was variable and continued to be monitored by Management.

15. Forward Look

The Forward Look was noted.

16. Any Other Business

The Board noted the minutes of the Audit Committee meeting on 23rd January 2012.

Approved