

Title of Paper	Minutes of the Board Meeting - 25 th March 2015
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
	Kevin Steele	Non Executive Director
	Jim Stewart	Non Executive Director
	John Rae	Non Executive Director
	Deep Sagar	Non Executive Director
	Sara Venning	Chief Executive
	Ronan Larkin	Finance & Regulation Director
	George Butler	Asset Management Director
	Sean McAleese	Customer Services Delivery Director
In attendance:	Mark Ellesmere	General Counsel & Company Secretary
	Pauline Sterling	EA/CEO

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

Jim Stewart, on behalf of the Board, thanked the Chairman for his contribution during his term in office and noted that the Company was now in a better position than it was when the Chair was first appointed. The Chair thanked Board members for their support and wished the Board and Company every success under the new Chair.

1. Draft Board Minutes - 25th February 2015

The draft minutes of 25th February 2015 were approved subject to amendment.

Board Actions - 25th February 2015

All actions were complete or on track for completion within agreed timeframes.

The Board Strategy Day was currently being arranged in conjunction with the new Chair.

(The Head of Safety, Quality and Compliance joined the meeting for Item 2)

2. Health and Safety Update

It was noted that there were no RIDDOR incidents in period. Mandatory Health and Safety Training was almost complete and a reaccreditation under ISO14001 had recently been confirmed for another 3 years. The Board acknowledged another strong performance in terms of health and safety during 14/15. It was agreed that the Company would consider offering flu jabs under its health and well-being policy.

[ACTION: Head of Human Resources]

It was also agreed to test a control point in relation to overtime.

[ACTION: Director of Customer Service Delivery]

3. Main Board Report

The Chief Executive confirmed the current position in relation to KPIs impacted by the recent Industrial Action. The 15/16 budget and PC15 would be picked up specifically later in the agenda. A letter had issued to DRD in relation to the proposal to move Capex to Opex. The Board discussed the current position in relation to PC15 and the 15/16 budget. The Board acknowledged the importance of the independence of the Utility Regulator as well as on-going engagement on the PC15 process. It was reiterated that an appropriate risk mechanism must be available to the Company going forward. The potential for infraction proceedings under Article 9 of the Water Framework Directive was noted and engagement was on-going with DRD in this regard. In response to a question it was confirmed that terms and conditions and reward had been added to the HR Strategy work streams as a result of last month's Board workshop.

(The Director of Asset Management left the meeting at this point)

The Chief Executive updated the Board on the pay remit process and pension proposals. The Board noted that the Company had done all in its power to deliver on its commitments in the conciliation Agreement with the Water Group of Trade Unions. The Board then discussed the timing of the pension proposals and the

timing of the decision from DFP on the pay remit business cases. It was agreed that these should be done in tandem as far as possible.

[ACTION: Chief Executive]

(The Director of Asset Management rejoined the meeting)

On the customer side it was noted that supply interruptions target would not be achieved and Leakage KPI continued to be at risk of failure. It was agreed that a brief summary of underlying trends across the customer KPIs be provided to Board members at the next meeting.

[ACTION: Director of Customer Service Delivery]

The Board noted that all financial KPIs were on track for delivery. The costs of the industrial action had been captured and absorbed and whilst there was significant work still to be delivered on the capital side, the organisation should meet its budget at the year end. It was noted that the capital budget would likely come under pressure in 16/17. It was agreed that a paper be produced for Board outlining an appropriate and proper capital investment programme for the future and highlighting any projects that were deemed to be a priority by the Minister/DRD.

[ACTION: Director of Asset Management]

The Board noted a risk on water quality issues from the first two months of 2015 and positive results on the waste water compliance targets for 2014, subject to audit. The outcome of the Manor Wood prosecution was a £250 fine.

It was noted that all corporate risks had been presented in detail to the Board during the course of the year. The year-end position was 6 “high” risks and 4 “medium” risks. The internal audit annual opinion was satisfactory. It was agreed that CR9 be reviewed in the context of the recent public pay announcement by the Chancellor.

[ACTION: Chief Executive/Head of Human Resources]

(Director of Engineering Procurement joined the meeting for Items 4 and 5)

4. PPP - Exceptions Report

The update report was noted. The Board was also advised of a suggestion from DRD that SIB undertake a review of PPP contracts. The Board asked for clarification of the benefits of such a review and, if necessary, the terms of reference.

[ACTION: Director of Engineering Procurement]

5. CWP - No Surprises Report

The Mersey Street uplift was approved. It was noted that there were regular meetings with DRD on the capital programme including notification of any significant cost increases. It was confirmed that there may be some learning in relation to ground investigations as a result of this matter. The Board then discussed the perception during the industrial action of a lack of investment in the West of the Province compared with the East. The maintenance spend across the Province was prioritised according to need and not according to a split between the East and West of the Province.

(Financial & Econometric Modelling Manager, Interim Head of Regulation and Head of Management Accounts joined the meeting for Items 6 and 7)

6. PC15 - Next Steps

The Board discussed the draft paper in detail in relation to proposed next steps on PC15. The Board endorsed the strategy within the paper that it should seek to have the Company declassified as an NDPB going forward. The Board noted that a strategy and delivery mechanism would be required in this regard. It was agreed that this be picked up at the Board strategy day.

**[ACTION: Chief Executive/
General Counsel and Company Secretary]**

(Jim Stewart left the meeting at this point)

7. Operating Plan & Budget 15/16

The Board then discussed the current 15/16 budget proposed by DRD and the Company's position going beyond 15/16 and the PC15 term. A proposal was noted in relation to funding a base maintenance and priority projects programme for 6 years. The General Counsel and Company Secretary provided an update on recent advice in relation to judicial review proceedings. It was noted that the 3 month time limit would run from confirmation of the 15/16 budget (on or around beginning of March). The Board agreed that clarity was needed in terms of the Utility Regulator's position on revised outputs. It was noted that this work would be on-going with the Utility Regulator and DRD over the next 2 months. The Board also asked that DRD and the Utility Regulator be reminded that GB comparators had already moved to a totex environment.

(Chief Information Officer and Head of Corporate Information joined the meeting for Item 8)

8. Information Governance Quarterly Report

The Board welcomed the information governance quarterly update report which was positive.

9. Tendering of Integrated Supply Frameworks

Approved based on the information provided within the report.

10. STA - Supply of Spare Parts

Approved based on the information provided within the report.

11. Revisions to Financial and Procurement Delegations Policy

The Board approved the revised financial and procurement delegations policy on the basis that there were minor changes with no increase in actual delegations.

12. Revised draft Management Statement and Financial Memorandum (MSFM)

The Board discussed the revised MSFM in detail. It was agreed that this matter be deferred to next month's meeting in order to give the new Chair some further time to consider. Deep Sagar also confirmed he would circulate his own comments to members in advance of the next meeting.

[ACTION: Deep Sagar]

13. Proposal for Regulatory Performance Delivery Mechanism

The Board noted the proposal for the RPDM which was part of the Conciliation Agreement with the WGTUs. The business case had been submitted to DRD. The Board acknowledged the contribution and efforts of Senior Management within the organisation and asked that industry standard performance mechanisms for senior staff be kept on the agenda and raised at an appropriate time with key stakeholders.

[ACTION: Chief Executive]

14. Audit Committee Update

The Chair of the Committee provided a verbal update on the last meeting of the Committee on 19th March 2015. The Company was on track for an overall satisfactory audit statement at year end. Key concerns were raised at the meeting by KPMG in relation to the Company's budget position vis-à-vis PC15 and the continuation of the Company as a going concern. DRD were aware of these issues and the actions necessary in conjunction with the Utility Regulator in order to address them. It was also agreed that the Board should revisit its position in terms of dividend payments.

**[ACTION: General Counsel and Company Secretary/
Director of Finance and Regulation]**

15. Procurement Activity Report

The Procurement Activity Report was noted.

16. Weather Watch

There were no weather warnings forecast for the immediate future.

17. Forward Look

An update was provided in relation to possible dates for the Q4 QSM and the date of the Joint Audit and Risk Committee for May may need to be revised.