

<b>Title of Paper</b>	Minutes of the Board Meeting - 28 <sup>th</sup> January 2015
<b>To be presented by</b>	Chair
<b>Purpose of paper (approval/information)</b>	For the Board to agree the minutes of its meeting for subsequent internet publication.
<b>Significant Issues</b>	None

<b>Present:</b>	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
<b>In attendance:</b>	Mark Ellesmere	General Counsel & Company Secretary
	Pauline Sterling	EA/CEO

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

**1. Draft Board Minutes - 17<sup>th</sup> December 2014, 9<sup>th</sup> January 2015, 15<sup>th</sup> January 2015**

The minutes of 17 December 2014, 9<sup>th</sup> January 2015 and 15<sup>th</sup> January 2015 were approved.

**Board Actions - 17<sup>th</sup> December 2014**

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

A discussion then ensued in relation to HR Strategy and the future organisation of the Company in order to mitigate against the impact of the recent industrial action. It was noted that some work had already been done in this area under the FOM project. The Company was currently operating in line with other utilities in terms of rotas and out of hours work. Scottish Water had encountered similar industrial action 3 years ago in spite of overtime and attendance out of hours being contractual requirements. The Chief

Executive explained the proposed internal review of the incident, the review to be conducted by the Utility Regulator and Alec McQuillan's oversight role in respect of these matters.

## **2. Health and Safety Update**

The Director of Asset Management highlighted one contractor RIDDOR in period and confirmed that attendance continued to improve. Mandatory training was on track for completion and there was now one outstanding action from the recent Internal Audit Report on Health and Safety which was being progressed in line with agreed timeframes. Further details were provided in relation to the 2 contractor incidents and the steps being taken by Management in order to address these.

## **3. Main Board Report**

The Chief Executive confirmed that the industrial action would have a significant impact across a number of KPIs including supply interruptions and leakage. The Board noted that industrial action had been suspended and that the WGTU was now ratifying that suspension with members. A ballot on the ending of the industrial action would not take place until a formal offer was put to the WGTU once the relevant business cases had been considered by DRD and DFP. A detailed discussion then ensued in relation to the current climate of industrial relations within the organisation and the role of Managers below the Executive Committee. It was agreed that lack of control over pay remit was a significant weakness in current governance arrangements. The Board requested a separate session on HR Strategy to include matters already discussed.

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

The Director of Customer Service Delivery updated on service interruptions which would all fail as a result of the industrial action as well as leakage which was at risk of failure. Work was on-going to quantify the impact of the industrial action on relevant KPIs. The Board noted that all financial KPIs were currently on track for delivery. It was agreed that non contract and overtime costs should be reported to the Board in the short term.

**[ACTION: Finance and Regulation Director]**

The Asset Management Director gave an update on compliance. The year-end outturn on compliance KPIs was positive subject to audit. Provisional enforcement action was underway by DWI in relation to Drumaroad. A recent incident at Greencastle Wastewater Treatment Works was likely to attract some adverse media attention. The Minister and SPAD had again requested further detailed information in relation to on-going prosecutions.

The Board noted that there was no movement in the corporate risks and opportunities register in period and received detailed updates on corporate risk 6 and opportunities 1 and 3.

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

**4. PPP - Exceptions Report**

The Board noted the update report on PPP matters.

**5. CWP - No Surprises Report**

The Board noted that the Greencastle project was now no longer required to be included in this report.

*(The Head of Management Accounts, The Interim Head of Regulation and Regulation & Business Performance Manager joined the meeting for Items 6, 7 and 9)*

**6. PC15 Update**

The Board noted and approved the proposed slides for that afternoon's Quarterly Shareholder Meeting in relation to PC15 and 15/16 budget.

**7. PC15 - Operating Plan and Budget for 15/16**

The Board considered the draft operating plan and budget 15/16. It was not clear when the Company's final 15/16 budget would be confirmed by DRD. The Board confirmed that the opex required to run the organisation in 15/16 remained at the level set out in the PC15 Final Determination. It was noted that, notwithstanding the challenge of delivering the PC15 Final Determination it could be accepted if it was funded, if there was a properly funded risk mechanism to address costs shocks and if governance of the organisation was reviewed.

**9. 2015/16 Scheme of Charges**

The Regulation & Business Performance Manager provided the Board with a detailed overview of the proposed tariff for 15/16. It was noted that the paper proposed full utilization of the K-factor. Notwithstanding the fact that the 15/16 budget had not yet been confirmed and that no decision had yet been made in relation to the PC15 Final Determination the Company was obliged under its licence to proceed with the tariff for year one of the PC15 Final Determination. A brief discussion then ensued in relation to tariff categories. The Board's attention was drawn to the proposed increases in relation to trade effluent. Notwithstanding these matters the Board approved submission of the 15/16 tariff to the Utility Regulator in accordance with the licence.

**8. Board Effectiveness Review**

The General Counsel and Company Secretary provided an update on actions arising from the Board Effectiveness Review. The Board noted updates in relation to actions 1 and 2 and discussed the proposal in relation to action number 3. It was agreed that this matter would be discussed outside of the meeting by the Chairman and the Chair of the Procurement Committee. It was agreed that a response should be sought from DRD in relation to the Chairman's letter on succession planning for Non-Executive Directors.

**[ACTION: Chairman/General Counsel and Company Secretary]**

*(Head of Operational Procurement joined the meeting for Item 10)*

**10. FR031 Procurement Policy**

The procurement policy was approved.

*(Head of M&E Services and Senior Category Manager joined the meeting for Item 11)*

**11. C729 M&E First Response Services Contract**

The Board approved award of the contract on the basis of the information provided within the report.

*(Water Business Unit Manager joined the meeting for Item 12)*

**12. STA - Supply of Magnetite**

The Board approved Supply of Magnetite based on the information provided within the report.

**13. STA - Subscription to UKAS**

The Board approved Subscription to UKAS based on the information provided within the report.

**14. Procurement Activity Report**

The report was noted. The Board was provided with an update on recent developments with one of the Company's key contractors.

**15. Audit Committee Update**

The Chair of the Audit Committee provided an update on matters dealt with at the Committee meeting on the 15 January including the scheme of charges and principle statement and internal audit assurance reports. The External Auditors had also raised questions in terms of funding in light of the 15/16 budget position and the lack of clarity on budget for the PC15 period. In addition the Committee agreed that the MSFM should be brought back to the Board when proposed amendments had been finalised between NIW and DRD. The Board approved the letters of Engagement for Statutory and Regulatory Financial Statements on the basis that there were no material changes, as recommended by the Committee.

**[ACTION: General Counsel and Company Secretary]**

**16. Weather Watch**

The Committee noted a short term weather warning in relation to snow and colder weather.

**17. Forward Look**

It was agreed that a workshop on HR Strategy be added as a separate Board session. The Board also asked for a summary report of the annual capital plan

illustrating the capital spend in-year and the justification for spending in those particular areas. This would address recent media commentary in relation to an East/ West divide in the Province in terms of water supply.

**[ACTION: General Counsel and Company Secretary/  
Director of Asset Management]**

**18. Any Other Business**

The Chairman agreed to consider a Board Strategy Day in February in conjunction with the new Chairman.

**[ACTION: Chairman/General Counsel and Company Secretary]**

Approved