

**18<sup>th</sup> April 2019**

**Twenty fourth meeting of the Customer Forum**

**Held at 10.00am at the Stirling Highland Hotel**

**Attendees:** Peter Peacock (Chair)  
Rachel Bell  
Andrew Faulk  
Agnes Robson  
Bob Wilson  
Stuart Housden  
Mairi Macleod  
Sue Walker

**In attendance:** Sam Ghibaldan  
Graeme Dickson  
Fraser Stewart  
Douglas Millican, Scottish Water  
Simon Parsons, Scottish Water  
Tom Harvie-Clark, Scottish Water  
Molly Horsley, Scottish Water  
Brian Lironi, Scottish Water  
Belinda Oldfield, Scottish Water  
Alan Sutherland, Water Industry Commission  
Ian Tait, Water Industry Commission  
Colin McNaughton, Water Industry Commission  
David Satti, Water Industry Commission

**1. Apologies**

There were apologies from Jo Dow and Tom May.

**2. Declaration of interest**

There were no new declarations of interest.

**3. Minutes of the last meeting and matters arising**

The minutes of the previous meeting were approved subject to minor clarifications.

**4. Update on recent activities**

The Chair and members provided an update on activities since the last meeting.

## **Strategic Advisory Group**

The Chair advised the Forum that Strategic Advisory Group (SAG) had met on the 28<sup>th</sup> March. The key development at that meeting had been discussion about the key elements of Scottish Water's long-term strategy that had emerged from the previous SAG meeting. These had then been written up as a draft vision for the sector, which would be presented to the Forum by Scottish Water later in the meeting. Graeme Dickson had prepared a comparison between the draft Vision as now prepared and the Forum's existing positions from their work on ideas for a 'social contract' and from the feedback given to Scottish Water on the Outline Strategic Plan. This analysis showed a high degree of alignment in what the Forum had been seeking across a number of fronts and what was now being proposed.

## **Financial Framework Working Group**

The Chair reported that the recent meeting of the Financial Framework Working Group (FFWG) had received an update from WICS on its price scenarios. These would be presented to the Forum later in the day as part of the discussion on borrowing. The Chair noted that he had written to WICS seeking further information on potential price scenarios and had circulated Forum members with the correspondence.

## **Research Coordination Group**

Progress on several issues was set out by the Chair of the Research Coordination Group:

- The initial results of the Forum's You Gov survey on pride in Scottish Water had just been received. These were being analysed.
- The tender for the Forum's deliberative research into the Future Strategy of Scottish Water was expected to be published on the Public Contracts Scotland site imminently.
- The two research projects on legacy and the environment, which had been co-designed between the Forum and Scottish Water, were underway and expected to report by early June.

Overall there was significant current research activity across a range of fronts.

## **Flourishing Scotland**

Bob Wilson updated the Forum on the work Business Stream and Wave had undertaken on business customer charges. This was complicated because of the differing arrangements for aspects of charges as between water companies in England. Bob Wilson would continue to interpret the data and keep the Forum advised.

There had been a further meeting between the Forum and Scottish Water on aspects of measuring the relationships with LPs and business customers and that Scottish Water had been asked to come back with further suggestions.

## **IPPF**

The Forum discussed the papers for the water and wastewater prioritisation sessions circulated by Scottish Water. It noted that they should be consistent with the emerging Industry Vision. It was agreed that members who had participated in the relevant deep dive sessions would draft the Forum's initial comments, prior to a conference call to discuss this the following week. The same process would attach to each of the waste water, water and flourishing Scotland work streams.

### **Performance Monitoring**

The Forum noted the timeline in developing performance monitoring measures had slipped, but there was a programme of discussion arranged. The Forum was due to receive an update presentation on this from Scottish Water later in the day.

### **5. Scottish Water – Industry Vision and Strategy**

Scottish Water presented the draft Industry Vision that had been developed at the previous Stakeholder Advisory Group. In discussion the following points were made:

- The Forum welcomed the draft vision that had been co-created with the SAG, considering it set out an aspirational context for the long-term objectives of the water industry in Scotland.
- That it would be necessary for there to be clarity about whether the vision was a statement by the sector, or by Scottish Water, and how it might relate to Minister's Objectives and Principles of Charging. It followed that it would need to be clear how the vision would be delivered, and which organisations would be responsible. It was felt that the vision being endorsed, or adopted by, government might be beneficial in helping set a strategic direction that could be embraced by a range of organisations.
- There was also discussion about whether the vision was an industry one, which might also imply licensed providers and the supply chain should have a role in developing it, or the sector, which might encompass those bodies with a direct relationship with government. The Forum considered that it would be practical for the vision to be a sector one, but that it would be beneficial for it to be shared and promoted to the wider industry and key other stakeholders such as local authorities.
- In response the Chief Executive of Scottish Water said that while the vision was conceived of as coming from, and being owned by, the water sector, as the largest player in the industry Scottish Water would be responsible for delivering the greater part of it. To deliver the vision in full though would require other stakeholders to play their part. He also noted that the vision had yet to be discussed by the Scottish Water Board.
- It was also noted by the Forum that further work would be required to set out the meaning of the aspirations in the vision, and the strategic priorities that flowed from it. The Forum agreed to send Scottish Water detailed comments on the draft vision.

### **6. Scottish Water – IPPF prioritisation process update**

Scottish Water updated the Forum about their view of progress on the IPPF prioritisation process. In discussion the following points were made:

- That the IPPF prioritisation process, including for the first years of the SR21-27 period, would need to align with the developing vision.

- That there was the risk that the prioritisation process currently underway could end up setting investment priorities for the full SR21-27 period before the Strategic Plan was agreed. In response Scottish Water stressed that it would serve to guide development of the first 2-3 years of the SR21-27 investment programme and that this would focus on “no regrets” investment. There would continue to be flexibility around investment priorities for the remainder of the period.

## **7. Scottish Water – Performance Monitoring**

Scottish Water updated the Forum on progress in developing the performance monitoring framework, noting:

- That the ten working group meetings to date had been approached in the spirit of co-creation.
- That the reporting framework would be established under four headings.
- Scottish Water are open to changing the OPA.
- That it will be essential to ensure the senior management responsibilities and incentives systems was appropriately aligned to whole of the reporting framework.

In discussion the following points were made:

- That it was important that targets aligned to the final version of the vision.
- The measures for community engagement had not been set out. Scottish Water confirmed that these were still part of the reporting framework but had not been included in the presentation.
- That it would be necessary to develop a process able to measure both relatively short-term objectives, and those that could only reasonably be evaluated in a longer time frame
- There would be benefit in seeking to ensure Scottish Water’s performance could be benchmarked against other water companies in the UK and abroad.
- That given the different nature of this SRC process it would be necessary to consider when detailed discussion of targets would take place as this had been an important part of the negotiation in SR15-21. Scottish Water indicated that they would need to give that further consideration.

## **8. Internal Forum Discussion**

The Forum approved the paper that had been circulated by the Chair on prices. The Forum:

- Broadly supported the objective of moving toward a financially sustainable industry over the long-term provided any increase in charges were affordable, particularly for those on low incomes.
- Needed to understand more about potential impact of borrowing on charges and investment.
- Considered that regular review points during the SRC period were essential. Those review points needed to be rigorous, and the process around them had to be able to adjust charges if appropriate.
- Noted that there may be an issue of whether there remained a legal requirement for a technical expression.

The Forum agreed to establish a working group to look in detail at the question of review points and what they ought to constitute and comprise.

#### **9. Forum Positions**

The Forum considered the draft position notes on lead in water and the circular economy, and amended these following discussion.

It was noted that a full list of position notes required had been placed on the share point site and allocated (by agreement) to members and the executive team to draft. These would be discussed at the away day on the 5<sup>th</sup> and 6<sup>th</sup> June.

#### **10. WICS Presentation**

The Chair congratulated David Satti on the recent birth of his daughter.

The Water Industry Commission gave a presentation to the Forum presented on their current work on price scenarios, asset replacement costs and borrowing. They noted that Scottish Water are working on the consequences for asset replacement of investment profiles. This modelling would be informed by the most accurate information currently available and would look at investment scenarios over a 22 year period.

#### **11. Any other business**

There being no other business, the meeting closed.