

TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE

Tuesday 8 September 2009

Session 3

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TRANSPORT, INFRASTRUCTURE AND CLIMATE CHANGE COMMITTEE 18th Meeting 2009, Session 3

CONVENER

*Patrick Harvie (Glasgow) (Green)

DEPUTY CONVENER

*Cathy Peattie (Falkirk East) (Lab)

COMMITTEE MEMBERS

*Rob Gibson (Highlands and Islands) (SNP)
*Charlie Gordon (Glasgow Cathcart) (Lab)
*Alex Johnstone (North East Scotland) (Con)
Alison McInnes (North East Scotland) (LD)
*Des McNulty (Clydebank and Milngavie) (Lab)
*Shirley-Anne Somerville (Lothians) (SNP)

COMMITTEE SUBSTITUTES

Alasdair Allan (Western Isles) (SNP)
Gavin Brown (Lothians) (Con)
David Stewart (Highlands and Islands) (Lab)
Jim Tolson (Dunfermline West) (LD)

*attended

THE FOLLOWING GAVE EVIDENCE:

Richard Ackroyd (Scottish Water)
Geoff Aitkenhead (Scottish Water)
Ronnie Mercer (Scottish Water)
Douglas Millican (Scottish Water)
Mark Powles (Scottish Water Business Stream)

CLERK TO THE COMMITTEE

Steve Farrell

SENIOR ASSISTANT CLERK

Alastair Macfie

ASSISTANT CLERK

Clare O'Neill

LOCATION

Committee Room 6

Scottish Parliament

Transport, Infrastructure and Climate Change Committee

Tuesday 8 September 2009

[THE CONVENER *opened the meeting at 14:00*]

Decision on Taking Business in Private

The Convener (Patrick Harvie): Good afternoon. I welcome everyone back for our first meeting after the summer recess—I hope that you all had an enjoyable break. This is the 18th meeting this year of the Transport, Infrastructure and Climate Change Committee. I have received apologies from Alison McInnes, and apologies for lateness from Rob Gibson, who is expected. I ask members and everyone present to switch off all mobile devices.

There are five items on the agenda. Item 1 is a proposal to take item 4, which is consideration of the work programme, and item 5, which is consideration of our approach to scrutiny of the budget, in private. Do members agree to take those items in private?

Members *indicated agreement.*

Alex Johnstone (North East Scotland) (Con): I have no wish to object to the idea of taking those items in private, but I am keen that, in the long term, we do whatever is necessary to preserve and defend the right of committees to take business in private. Are we confident that there is no alternative but to take those items in private at this stage?

The Convener: It is for the committee to choose. In some instances we have discussed our work programme in public, but we have sufficiently wide options to consider this year—given the lack of legislation—that it would be reasonable to discuss them in private before we adopt and publish the work programme.

Alex Johnstone: I agree.

The Convener: I see that no one else wants to comment. We will take items 4 and 5 in private.

Scottish Water Annual Report and Accounts 2008-09

14:02

The Convener: Item 2 is an evidence session with Scottish Water and Scottish Water Business Stream on the Scottish Water annual report and accounts 2008-09. From Scottish Water, I welcome Ronnie Mercer, chairman; Richard Ackroyd, chief executive; Geoff Aitkenhead, asset management director; and Douglas Millican, finance and regulation director. From Scottish Water Business Stream, I welcome Mark Powles, managing director.

I thank you for joining us. We are slightly limited in the amount of time that is available, so we will just launch straight into questions, if that is okay.

Ronnie Mercer (Scottish Water): Convener, we are not very happy that the committee is constrained for time. The message seems to have got mixed up at whatever levels such things take place at, but we are here to answer questions for as long as you want. If you need us to go to half past 3 or 4 o'clock, we will shuffle any arrangements the guys on the panel have made. This is the only time that we meet you, so I am keen that we do not constrain it in any way. I am sorry if a different message was conveyed to you—we are slightly puzzled by it, but I would like you to know that we can stay after 3 o'clock.

The Convener: I appreciate your offer, although we do have other items on the agenda that we are seeking to cover.

Ronnie Mercer: Sure—we are equally happy to go at 3.

The Convener: I begin with a question about the overall assessment of Scottish Water's performance. We are told that the target for improvement in the overall performance assessment has been exceeded, but it is unclear whether the target for each of the 12 individual indicators has been met or exceeded. Could you tell us whether you have met or exceeded all 12, and, if not, which ones have not been met and why?

Douglas Millican (Scottish Water): The whole principle of the overall performance assessment is that it is a single measure. You are right to say that it is made up of 12 indicators, but the only target we have is the overall target, which we exceeded significantly during the year. There are no targets for the individual sub-measures.

The Convener: There must be some expectation of how those will change, in order to set an overall target.

Douglas Millican: Each year, we put in place plans for what we hope to achieve but the fact is that, given the very nature of some of the measures, once particular improvements have been made we are relatively guaranteed to achieve a certain level of performance. For example, if we take properties off the low-pressure register, we are fairly much guaranteed to get the points. With other measures, performance can vary much more from year to year. As a result, we endeavour to set stretching internal plans across all the measures to enable us to achieve our key external target, which is the single OPA measure.

The Convener: Perhaps I should put the question another way. Which of the 12 separate indicators cover areas that have helped Scottish Water to achieve its overall target and which cover areas that have been more problematic?

Richard Ackroyd (Scottish Water): Areas where we have the greatest improvement to make are sewage treatment works compliance, although I point out that we are continuing to make steady year-on-year improvement in that respect, and environmental pollution incidents, in which our performance is improving but is still quite a long way off where it needs to be.

The area of greatest sensitivity for us is sewage treatment works compliance. If a large sewage works such as the one in Edinburgh—or indeed any of those in Scotland's major towns and cities—were to fail its consent, we could lose the 50 points that are available for waste water treatment works compliance. Given that our current score is in the mid to upper 200s, such a loss would impact greatly on overall performance.

Ronnie Mercer: It is only fair to point out that, last year or the year before, the first answer to your question would have been leakage, which missed the target in both years. This year, the team hit that target for the first time—and well done to them for doing so. There had been great improvements in leakage in the first two years but we did not actually hit the target, which meant that we lost points. However, we were covered by other things.

The Convener: In its annual report, the Water Industry Commission for Scotland has challenged Scottish Water to match the top-performing companies south of the border by 2013-14. How do improvements in the overall performance assessment compare with the performance of companies south of the border and in what areas do we need to close ground on them?

Douglas Millican: As Richard Ackroyd pointed out, the principal measure of the existing suite of measures in which we need to improve is waste water treatment works compliance, in which we scored five out of the 50 available points. Our plan

for the next regulatory period is to make significant improvements in that area.

In the next period, three new measures will be added to the basket of measures for OPA Scotland—although when I say that they are new, what I mean is that they have historically been applied in England but not in Scotland. One of those measures is on pollution incidents, to which Richard Ackroyd referred; another is on assessed customer service, which is an assessment of the qualitative aspects of customer service; and the third area, in which we also need to make improvements, is on the security of supply index, which is in effect about our resilience to drought and ability to assure customers of security of supply in all water zones throughout Scotland.

Richard Ackroyd: Let me scale our performance against that of companies in England and Wales. I look to Douglas Millican or Geoff Aitkenhead for confirmation, but I believe that 418 is the maximum number of points that we can achieve. As you will see from our annual report, our score at the end of last year was 252, whereas English and Welsh companies at the top end will be scoring in the 390 to 400 range. That should give you a feel for the ground that we need to make up. In our draft business plan to the commission for the regulatory period up to 2014, we targeted 389 points as the score that we expect to achieve by 2014.

The Convener: And you are confident of meeting that.

Richard Ackroyd: When we did a kind of risk assessment, we came out with an 80 per cent probability. However, we are striving and driving to meet that target and, if possible, do better than it.

The Convener: Douglas Millican talked about qualitative assessment and the experience that people have of Scottish Water's customer service. You provide fairly clear information about the percentage of calls that are answered within 30 seconds, but what can you say about how happy people are when they put the phone down or about other aspects of the quality of their experience?

Richard Ackroyd: There are two things to say about that. First, at the moment, we do not have such a measure in the OPA, so it is not measured in a regulatory sense. However, we do our own customer satisfaction surveys, in which we get approximately an 80 per cent customer satisfaction score. We have set a target to get that up to 84 or 85 per cent. We improve over time.

Secondly, if we get a period of wet weather, such as the one that we have had this summer, and sewers choke and there are sewer flooding incidents, customer service experience scores tend to drop off for a while. We expect those to

come back up when we have come through the bad weather.

The Convener: You have acknowledged that that is one of the areas in which you need to close the gap on the top-performing companies in England and Wales by achieving higher scores.

Douglas Millican: Clearly, assessed customer service is not being formally measured yet but, from the shadow assessments that we have done, we believe that we are already top scoring on assessed customer service. It is just that that is not included formally in the OPA in this regulatory period. Clearly we need to make big improvements on the two new measures that are coming in on security of supply and pollution incidents. We need to make a lot of investment to enable us to make those improvements in the next period.

Rob Gibson (Highlands and Islands) (SNP): In terms of targets specified in ministerial objectives, the report shows that there are still a large number of unsatisfactory intermittent discharges. Why are there still so many of those discharges and will you meet the quality and standards IIIA target for that measure?

Geoff Aitkenhead (Scottish Water): The sewerage network around Scotland is what is called a combined system, which takes foul and surface water flow, and storm overflows are a feature of that type of network. There are a large number of storm overflows in the network. Those that are classified as unsatisfactory by the Scottish Environment Protection Agency have been prioritised, and we will improve a number of them during the current regulatory period. There will then be a further batch for improvement during the next regulatory period. Over time, we will work through those and get them all to a satisfactory status.

Rob Gibson: How many systems have storm overflow problems?

Geoff Aitkenhead: I do not have the number off the top of my head but, by the end of this year, we will get to a cumulative figure of 264 unsatisfactory intermittent discharges during the current regulatory period. I will have to confirm the number for the end of the period.

Rob Gibson: Are the bulk of those in the north-east, the north-west and other rural areas?

Geoff Aitkenhead: They are spread throughout Scotland, but a significant number are in the greater Glasgow conurbation. That is part of the work that we are doing with Glasgow City Council and SEPA on the metropolitan Glasgow strategic drainage plan. A significant amount of work needs to be done in Glasgow on unsatisfactory overflows.

Rob Gibson: And you reckon that you are going to have that number—264 or so?

Geoff Aitkenhead: By the end of this year, we have to have moved a cumulative total for the current regulatory period of 264 discharges from unsatisfactory to satisfactory.

The Convener: Before we move on, Des McNulty has a supplementary question.

Des McNulty (Clydebank and Milngavie) (Lab): On the unsatisfactory intermittent discharges, and the particular issue of odour at sewerage plants in the Glasgow area, I understand that the proposal to look at the strategic plan for the metropolitan Glasgow area is in place for the next Q and S period, which could mean that work will not begin until the following period, so we are talking about 2015 or 2016. Is that the real start date? Problems are continuing at Dalmuir—I do not know whether there are other issues. Is it the case that the study must cover the next period and that work cannot commence until after that, or is there a prospect of work starting before 2015 to deal with such issues?

14:15

Geoff Aitkenhead: Strategic studies are proposed for the next regulatory period, particularly for the waste water treatment facilities in Glasgow—there are currently four major facilities in the greater Glasgow conurbation. We need to come up with a long-term strategy for waste water treatment. However, in parallel with that work on a strategy, physical work will be done, particularly on storm overflows that are classified as unsatisfactory. SEPA knows that a number of overflows are unsatisfactory. There are studies for us to do on how to solve the problem, but physical work as well as strategic studies will take place in the next period.

Rob Gibson: In his recently published annual report, the drinking water quality regulator for Scotland said that nearly a quarter of Scotland's drinking water fails to comply with the E coli standard. The DWQR also commented on two incidents at water treatment works in my area last year and said:

"The incidents at Inverness (Loch Ashie) and Newmore were so serious that DWQR considered reporting Scottish Water to the local Procurator Fiscal (PF) for supplying water unfit for human consumption."

How do you respond to the issues that the DWQR raised?

Richard Ackroyd: We respond with concern to any such comment from a regulator. I will ask Geoff Aitkenhead to comment on the E coli issue. The overall compliance for samples in Scotland was pretty much the same in 2008 as it was in

2007—there was very minor movement. We would like the compliance figure to go up, but we are at 99.7 per cent compliance, so the figure cannot keep going up by a large amount every year.

Quite a lot of the improvement that we expect will come from the completion of capital schemes that are under construction. Several schemes were completed for 31 March 2009, and we have not yet seen the sampling results for those works, which will appear in the DWQR's report for the current year. We expect there to be improvements where new treatment works have come on line.

The two incidents in the north to which you referred are of great concern to me. We carried out in-depth analysis on the causes, which we think that we understand—they were a mixture of human error and failure to follow procedures. The issues have been addressed. Please be assured that we take such incidents with the utmost seriousness.

Rob Gibson: According to the DWQR's report, 16 per cent of the 9,643 samples that were tested for coliforms in relation to waste water treatment works that serve the north-west did not meet the standard, and about 30 per cent of the 6,000 or so samples that were tested in facilities in north-east Scotland did not meet the standard. People have been affected over a wide area, even though we are talking about a small population. We are also talking about relatively small schemes, not all of which can be new.

Richard Ackroyd: Geoff Aitkenhead will comment on the coliform issue, which is not as straightforward as it seems.

Geoff Aitkenhead: First we must draw a distinction between samples that were taken at customers' taps and those that were taken at treatment works. More than 157,000 samples were taken at taps throughout Scotland, of which 80 were found to contain coliform organisms and two were found to have E coli—that puts the issue into perspective.

There are a number of treatment works at which there have historically been bacteriological failures because of the rudimentary nature of the treatment that was in place. That has been a focus of the investment programme from 2006 to 2010. Throughout Scotland, new and improved treatment works are being put in place, at the large and small-scale ends of the spectrum. In the early part of this year we are already seeing a significant reduction in the number of bacteriological failures at treatment works.

Rob Gibson: I welcome that, but I have visited Loch Ashie and seen that it is a fairly modern plant, so water not being properly cleaned—which gave rise to the incident that the DWQR thought

about reporting to the procurator fiscal—is worrying.

Geoff Aitkenhead: The Loch Ashie incident was quite complex and a thorough root cause analysis was done for the incident report. The incident concerned an elevated level of aluminium in the water supply. That was why the alert was raised. We always work through such incidents with a consultant in public health medicine and the drinking water quality regulator. The root cause analysis shows that a short circuit within the treatment works took a high level of aluminium to the sample point at the works but not into the supply.

Rob Gibson: I understood that to be the case at Newmore, not Loch Ashie, but I am interested to hear what you say. When you talk about high levels of aluminium in the supply, is that actually getting out?

Richard Ackroyd: No. I will put the point in context. In both instances, the level of aluminium was higher than the permitted concentration value, but it was not high enough for the public health specialists to feel that it was a risk to public health and it was an issue of extremely short duration. I do not seek to diminish the incident at all, because such things should not happen, but we need to see it in that context. It does not happen widely and it is not a danger to public health.

Rob Gibson: I understand that, but the people in the area that was affected hope that the small schemes in their area will be of high quality.

Scottish Water has an annual outperformance incentive plan that is designed to incentivise and reward the outperformance of targets that are agreed with the regulators. Why did the company fail to hit the stretch target for profit before tax and what is being done to try to hit it in the coming year?

Douglas Millican: The board places stretch targets on the business. By definition, those targets are designed to stretch us beyond what we planned for the year. We outperformed the planned profit before tax by, from memory, about £12.8 million against a stretch target of £15 million, so we were close to the stretch target.

Nevertheless, this year—and particularly as we plan for 2010 to 2015—we are considering how we drive further efficiencies out of the business. We have set ourselves a demanding internal budget for this year. So far, five or six months into the financial year, we are on track on that, but our focus is on how we address the challenges of the efficiencies that we need to achieve in line with the commission's draft determination for 2010 to 2015. It is a relentless pursuit of further operational efficiency.

Rob Gibson: I welcome that and recognise that you should be stretched to determine how you can achieve those efficiencies. However, is it realistic to make the spending on the types of schemes that are scattered across Scotland's rural areas more efficient in the same way that it is for the large schemes for the major cities?

Richard Ackroyd: The way in which we are regulated involves the Water Industry Commission establishing an efficiency target according to a methodology. If you want to understand how it does that, you probably ought to ask the commission direct, but it benchmarks against other water companies elsewhere and the efficiency targets that we are set are supposed to be stretching but achievable—it would be silly to set targets that were not achievable. When we start a regulatory period, it is not always clear exactly what we need to do to achieve the targets, but we set out and go for them with some vigour. We would not accept the determination if we did not believe that it was doable. That is the bottom line.

Charlie Gordon (Glasgow Cathcart) (Lab): Gentlemen, can we turn now to leakage, which your chairman was anxious to turn to?

Ronnie Mercer: No pre-emptive strike this time, Charlie.

Charlie Gordon: You met your leakage targets in 2008-09, after a number of years of failing to meet them. According to your annual report,

"Reducing leakage remains a top priority for Scottish Water."

What action are you taking to reduce leakage further and ensure that future leakage targets are met?

Ronnie Mercer: We have to take out 100 megalitres this year. Geoff Aitkenhead will tell you how we do that.

Geoff Aitkenhead: Action is going forward on a number of fronts. We continue with the front-line effort, which is to find and fix leaks wherever they are in the network. That consists of leaks that customers notify to us, when it is obvious that water is around and there is a problem. Equally, however, we now find and fix as many leaks that are not visible. Advanced technology is used to locate leaks in the underground network. That effort therefore goes on in the front-line find-and-fix activity.

In addition, we continue to invest in pressure management facilities across the network, which involves upgrading or maintaining 3,500 pressure reduction valves across Scotland that have been in existence for quite some time. In the past 12 months, we put an additional 400 pressure reduction valves into the network. By dropping the

pressure in the network, we reduce the amount that leaks out. I know that that seems obvious, but we operate at slightly higher pressures in Scotland than in the rest of the United Kingdom because of the topography. Pressure management is therefore very important to us.

Further, much leakage management is about understanding the consumption per day by people in different parts of the country, in different socioeconomic classes and in different types of property, and understanding industry's metered consumption. A huge amount of data management is therefore involved in assessing where our product goes from the time that it leaves the water treatment works to the time that it leaves the network either through a customer's tap or through a leak. A lot of effort goes into ensuring that the meters at the top end are calibrated and in good order, so that we know how much is going into the system at the top end and, at the bottom end of the system, into measuring the amount of water that is delivered to customers.

Over the past few years, we have broken up the network into what are called district meter areas. We now have many meters around Scotland that break the network down into manageable pockets so that we can zoom in on problems. Each of the manageable pockets is examined closely on a daily basis to see how it is performing.

Charlie Gordon: In the draft determination of charges for 2010 to 2014, the Water Industry Commission states:

"We are concerned that leakage performance is not yet fully integrated into the strategy of the organisation."

Can you comment on that view and, if you think that it is valid, explain what is being done to integrate leakage performance into the strategy of Scottish Water?

Geoff Aitkenhead: I understand the commission's view. It is looking for an asset management strategy that takes into account the leakage results that we are now delivering. The commission is therefore anxious to know at what point we will start closing down water treatment works because we do not need to produce as much water now that we are avoiding leakage. From our point of view, the first priority is always security of supply to customers, so we would tend to be a little bit more conservative and cautious than the commission in terms of the sequence of events. We are anxious to drive down the leakage and get to the economic plateau of leakage, then proceed with the rationalisation of assets. Naturally, there will be a little bit of overlap between those two areas, and some of the rationalisation can begin before we get to the end of the leakage journey.

We are now actively involved in looking at long-term strategies for water supply for each and every part of Scotland. For example, the central belt has the most connectivity between systems, so there is more opportunity to move water around there. We are beginning to formulate some thoughts about which treatment works we will operate and maintain in the longer term, and which we will close down.

14:30

Shirley-Anne Somerville (Lothians) (SNP): The Scottish road works commissioner indicated that he would “not shirk” from imposing fines on utility companies that do not comply with the required standards for repairing roads. In his second annual report, he stated that Scottish Water was among the worst performing in that regard, with around half its utility works not having been repaired properly. What actions are being taken to alleviate the problem?

Richard Ackroyd: We agree absolutely that that is an unsatisfactory performance. Towards the end of the last calendar year, when it became clear to us that the results would not be good, we took pre-emptive action. In essence, we called in all the contractors who do that work for meetings with us. Improvement plans have been agreed with them all on how they will improve the quality of the reinstatements that they do for us—that is where the issue lies. We are monitoring their performance in that way. Clearly, if we do not see significant and reasonably rapid improvement, we will take more drastic action.

Shirley-Anne Somerville: Obviously, the concern is shared across Scotland. My city is bedevilled by road works in one way or another—

Alex Johnstone: It is not all their fault.

Shirley-Anne Somerville: No, it is not all Scottish Water's fault, but the company plays a large part. If we can try to improve what is going on, it would be of great benefit. Do you have targets in place? The meetings that you described are all well and good, and you have decided on a way forward, but have you set targets for your contractors to ensure that the work will take place? What if they do not achieve what you have agreed in the meetings?

Richard Ackroyd: We have one very aspirational target: zero interruptions in the supply to our customers. That includes traffic disruption. Obviously, the target is aspirational. It will take us a long time to achieve zero; we are going for something very stretching.

If contractors do not perform well enough, the ultimate sanction is that they will not work with us in the future. Our contracts are renewed

reasonably frequently for this kind of work. We are resolute that if performance does not improve, we will take serious action.

Ronnie Mercer: It is fair to say, Shirley, that a big customer service complaint is that we fix something for somebody but we do not reinstate their pavement or road. That is one of the big ones that lashes back on us hard.

Shirley-Anne Somerville: I am struggling to see whether there is anything between the aspirational target of zero and reality.

Richard Ackroyd: We have not set a series of annual targets, if that is the question. That said, I expect to see substantial improvement on the measure this year.

Shirley-Anne Somerville: We look forward to questioning you again on that next year.

Cathy Peattie (Falkirk East) (Lab): In your report, you say:

“our strategy is founded on ensuring we continue to improve our service to customers while decreasing customer charges in real terms”.

Why are charges increasing above the rate of inflation?

Richard Ackroyd: They are not. At the moment, our charges are rising below inflation.

Douglas Millican: In the current regulatory period from 2006 to 2010, our charges have gone down every year by half a per cent relative to the rate of inflation. What is important is the measure of inflation that is used for this purpose, which is the retail prices index. Every year, our charges have been 0.5 per cent below the RPI. Clearly, the commission proposal for the next period is that prices will drop by even more relative to the RPI.

Ronnie Mercer: Perhaps the delayed action in all that is what is causing Cathy to think that prices have risen by 3.5 per cent when inflation is at 2 per cent. That is perhaps what she is asking—it is a good question. Maybe you could just explain it, Douglas.

Douglas Millican: Sure.

Cathy Peattie: A figure of 3.7 per cent is quite different to one of 1.8 per cent. To me, it looks like an increase—certainly, it is not a decrease.

Douglas Millican: In any charging year, prices are set with reference to the RPI in the year to the preceding October. The RPI factor that was used for the current year of 2009-10 was the RPI in the year to October 2008. There is quite a delay in the system before the RPI in the economy feeds through to the way in which pricing is affected. That means that this year, it will have appeared to customers as though prices have been higher than the inflation that they have experienced. However,

our charges next year, in 2010-11, will be set by reference to the RPI in the year to October 2009. We do not know what that figure will be, but we expect it to be a deflationary number.

Cathy Peattie: I wish you luck in explaining that to your customers, because I do not understand it.

Scottish Water's debt stands at £2,777.8 million. The company's accounts show an increase in net debt, due to a £219.8 million increase in borrowing from the Scottish Government. Why has there been such an increase in borrowing?

Douglas Millican: We are financed through a combination of customer revenue and net new borrowing. For the regulatory period 2006 to 2010, the way in which the determination was struck, in line with ministers' investment objectives and the principles of charging, was that £800 million-worth of our investment programme would be financed from an increase in net new borrowing and the balance would be financed from customer revenue, so last year's increase in net new borrowing was one portion of that £800 million increase that we will be taking on board to finance part of the current investment programme.

Cathy Peattie: Your accounts state that Scottish Water faced increased local authority rates and SEPA charges of £4.9 million in 2008-09. Why has there been such an increase in those rates and charges?

Douglas Millican: If you would like a detailed answer, we would need to reply to you in writing, but like any business that operates across the country, we need to pay whatever rates bills are sent in our direction. Similarly, we are charged by SEPA in accordance with its scheme of charges for the various licences that we hold and the services that it provides.

Cathy Peattie: The annual report shows a shortfall in pension assets over liabilities of £160.9 million. Why is that? What is being done about it?

Douglas Millican: Our employees all have the opportunity to be members of the local government pension scheme. We participate in three separate funds—the Aberdeen, Edinburgh and Strathclyde pension funds. The position varies slightly between one fund and the other two.

In common with all pension funds, there is a triennial actuarial valuation, the most recent of which was conducted in March 2008. As a result of that valuation, the pension fund sets the employer contribution rate for the next few years, which is designed to cover the current service cost of employees and to recover the actuarial assessment of any deficit over a reasonable period, which is agreed between the fund and its actuaries. That is the actuarial position.

What you see in our accounts is the accounting position, as set out in accordance with the relevant financial reporting standard. That position can vary quite significantly from year to year. Over the years, there has been a lot of press commentary on the volatility of the application of the accounting standard in question. The deficit can rise and fall from one year to the next. That is partly a function of what happens to the market value of the investments that are held and partly to do with how the pension fund's liabilities are calculated, through reference to the relevant rules. It is quite a complex area, but I would be happy to provide any detailed technical information that you may require.

Cathy Peattie: I have just one more question.

Given that we are talking about technical information, what consultations have taken place with the workforce and the trade unions, which will clearly be affected by the possible pension changes?

Douglas Millican: I am sorry—which particular changes are you referring to?

Cathy Peattie: What consultation has been undertaken with the workforce and its representatives?

Douglas Millican: We have no planned pension changes.

Richard Ackroyd: The way it works is that the trustees of the relevant pension funds establish the required contribution rate and we pay that.

Cathy Peattie: I understand that, but your workforce is obviously affected, and I am interested in whether any consultation has taken place.

Richard Ackroyd: Not recently, but I think that there was a consultation when the local government scheme was changed a few years ago. Is that the case, Douglas?

Douglas Millican: Yes—the local government pension scheme arrangements changed at the start of this year; prior to that, an extensive consultation was undertaken with a number of interested bodies on behalf of the Scottish Public Pensions Agency. We were consulted, along with the trade unions, but we are not proposing the changes—we are purely admitted bodies within the pension scheme rather than principal employers.

Alex Johnstone: Scottish Water spends huge amounts of money in capital investment, and I am concerned to ensure that we get what we pay for. The annual report indicates that a small amount of the Q and S II programme has not yet been delivered. Why is it still not finalised, and what is happening with it?

Geoff Aitkenhead: There are a small number of projects remaining from Q and S II. To put it into context, we launched 5,700 projects—which varied enormously in size—throughout Scotland during that regulatory period. There are a handful of projects still to deliver, which have largely been held up by an inability to buy the land that we need, or by issues with planning or SEPA consents. Those projects are under the microscope. We are not losing sight of any of them; they will all be delivered.

Alex Johnstone: What proportion of the overall investment programme is signed off as fit for purpose by the quality regulators?

Richard Ackroyd: A substantial proportion—Geoff Aitkenhead will discuss that.

Geoff Aitkenhead: It is a significant proportion. At the end of the year to which the annual report relates, 59 per cent of the environment programme with SEPA was signed off, and a further 22 per cent was completed at the end of the year. Our process is that within one month of completing a project, we get the necessary paperwork to the regulator, which then has a further two months to sign off the project. The sign-off deadline for the end of the year in question—2008-09—was the end of June.

For the drinking water quality regulator, a small percentage of the project—22 per cent—was completed and signed off at the end of the year, but a further 52 per cent was finished at the end of the year and subsequently signed off by the end of June 2009, so by that time 74 per cent of that project had been completed and signed off.

Alex Johnstone: Are you content that you are achieving as much as you need to in that respect? Is there an issue with delays in projects at earlier delivery milestones? Are you content with the rate at which you are making progress against the investment that is made, and with the way in which that is assessed?

Richard Ackroyd: We are confident that the programme is on track. We would not deny, however, that it is a very big programme with some very tight deadlines and a vast number of schemes—keeping up to pace is a constant management challenge. We get an awful lot of regulatory scrutiny, particularly from the Water Industry Commission for Scotland, on the programme's rate of progress, and it is fair to say that it was a little surprised that we had completed so much of the programme by the end of March. We understand that surprise, because it appeared from the figures in December and January that we were lagging behind the milestone targets.

However, because the regulatory completion dates are usually set at the end of March of each year, a lot of our projects are scheduled to be

completed during that month, often in the last week. That is what happened this year: a number of projects crossed the milestone at that time, and we then had a further three months—as Geoff Aitkenhead said—in which to get them signed off by the regulators. The process is thorough. We have long schedules of schemes, and we agree with SEPA and the DWQR when we expect them to finish and therefore when SEPA and the DWQR will be expected to scrutinise them and form a view on whether they are ready to sign off. We are confident that the process will work.

Alex Johnstone: Are you confident that it will continue to work in the future?

14:45

Richard Ackroyd: Absolutely. We will deliver the programme. For reasons beyond our control, such as planning and land acquisition, some schemes will slip a bit. When that happens, we compensate by looking for other schemes to bring forward. We have been doing that throughout this regulatory period. There is much less flexibility to do that in the final year of the regulatory period because there is much less clarity at the moment about what will happen next year, in the next period. I expect that there will be a little bit of slippage, but not material. Everything that is in the programme will ultimately be completed.

Des McNulty: I have a further question about the investment programme and the Q and S period. At the end of Q and S I, leading into Q and S II, something that was flagged up was a lag in consents and in getting new projects off the ground as you moved from one system into another. At the start of Q and S II, it took a wee while to build up the trajectory in the introduction of projects. That was identified as a potential problem before the process, and it turned out to be a problem.

As we move from Q and S II into Q and S III, are you confident that the process of completing the projects in Q and S II, and getting going with the early projects for Q and S III, will be accomplished more effectively than it was previously? Obviously, that is an issue for the WIC as well as for Scottish Water.

Ronnie Mercer: Sure. We have an early start programme to try to do that, and we have an amount of money for this year to get ahead of the game.

Geoff Aitkenhead: We are investing £60 million in the current period in early start work, which is about getting investigations, feasibility work and some initial design work done, particularly for those projects that have a long lead time. That has enabled us to risk assess the programme for the next regulatory period and already to identify

areas in which we will have to buy land, and we will need planning permissions and consents.

We are in a better place than we were coming into the current period. There is always room for improvement, but we are very focused on solving those third-party issues early.

Des McNulty: Presumably continuity of projects will benefit the construction industry, too.

Geoff Aitkenhead: Indeed. The early start programme was focused on getting a particular volume of work to the marketplace in the first year of the new regulatory period.

Des McNulty: In the past six months, the committee has spent a lot of time dealing with the Climate Change (Scotland) Bill. Obviously, Scottish Water has a particular role to play in that context. It is noticeable in the annual report that you had a 1.5 per cent increase in CO₂ emissions over the previous year. Why does Scottish Water still have a rising emissions trend? What are you doing to overcome that? How do your emissions compare with other industries in Scotland, and with similar organisations elsewhere in the United Kingdom?

Richard Ackroyd: Our carbon footprint has been rising as a function of the fact that we have been bringing on stage new treatment plants, predominantly to meet European directives for drinking water and waste water quality. It is generally true that we need energy-intensive treatment processes, usually featuring aeration, to meet those new standards.

What are we doing about it? Perhaps the first bit of encouraging news is that for the first time in the current year—we are only part-way through the year—we are seeing a reduction in our electricity demand, which is very pleasing. We are optimistic that we can continue that reduction to the end of the year. That is the first time that has happened, so it is really good news.

Beyond that, the big issue for us is to reduce our demand for fossil fuel power. We have come to the conclusion that that partly means reducing our demand for electricity overall, although there is a limit to how far we can do that with our business. The real dent in our carbon footprint will be made by increasing the proportion of renewable electricity that we use. At the moment, about 5 per cent of our total demand is self-generated from renewables, but we have in train schemes that will increase that figure to 10 per cent in the next 12 to 24 months. I will give examples. We may have mentioned to the committee before that the new water treatment works for Edinburgh that we are constructing at Glencorse will be two thirds self-sufficient in power, which will come from hydro turbines associated with the mains there. We also have a composting facility at Deerdykes near

Cumbernauld, and we are constructing an anaerobic digestion plant, which will deal with food waste as well as the green waste that we already treat there. That will generate power.

We have a longer-term strategy that has been worked through in detail with external advice. That strategy shows how we can move up from the figure of 10 per cent. A mixture of on-site renewables is involved. Typically, there will be small hydro turbines on reservoir inlets into water treatment plants and there will also be wind turbines on operational sites: we will shortly apply for planning permission to put a wind turbine on treatment works in West Lothian. Such things will start to make our treatment plants self-sufficient in renewables.

Those measures will get us a fair way up the ladder, but we have concluded that to make a big dent we would have to make our land holdings available for larger-scale wind power generation projects. The big question, of course, is how to fund those projects. They cannot be funded through customer charges, so it is likely that we would have to work with third parties and find partners who could supply funding and expertise, because generating electricity and developing renewable power stations are not our core skills. However, there are plans and there is thinking going on. We are in active dialogue with other organisations about how to make a big dent in our carbon footprint.

Des McNulty: I realise that you cannot do such things through customer charges, but the Scottish Government provides significant funding to Scottish Water each year. Can some of that funding be hypothecated?

Richard Ackroyd: We proposed in our plan that some investment should be allocated for renewables in the next period, but we have not yet received confirmation from ministers about that. That may or may not come. Beyond that, members know about the public finances. I doubt that money will be available.

Ronnie Mercer: I think that we would have to look for partners to help to fund large schemes. We would not think about charging customers for them. We would be open about that.

Des McNulty: Okay.

I want to ask about Scottish Water Business Stream and Scottish Water Horizons. Business Stream advises customers how to reduce their use of water, and Scottish Water Horizons is considering its strategy. Could we find a mechanism in either of those elements for building in an approach to emissions reductions that would assist us with addressing climate change as well as the core direction of its activities?

Ronnie Mercer: Perhaps Mark Powles would like to talk about his business solutions.

Mark Powles (Scottish Water Business Stream): When the market opened, we realised from a retail point of view that we could not build a business purely on reading meters, billing customers and providing customer service. Therefore, we brought in a team specifically to go into customer sites with a view to helping customers to use water more efficiently, meet their environmental credentials and reduce their consumption. In the past 12 months, we have saved our customers almost £5 million in consumption costs. We have also done a lot of work to help them to reduce leakage and to optimise processes in their businesses. That has a knock-on effect: if water consumption is reduced, power to heat water will not be used. That work has been well received.

We are starting to widen our services, including through optimisation of processes and use of rainwater harvesting systems. For example, 80 per cent of the water that Tesco now uses for the processes in its tray washing facilities is rainwater. That is something that we put in place. We have started the process, and customers are becoming more receptive to it. Now, we have to unlock the required capital expenditure and take some of the risk in the form of spend in return for taking some of the savings. We are starting to do that with organisations now.

Ronnie Mercer: Leakage is a huge issue for climate change, of course. We need to produce less water and use less electricity.

Des McNulty: This might be an issue for how you present information in your next annual report, but it would be useful to have some quantification of how your different activities address climate change reduction. That would be a useful element to incorporate in your reporting mechanisms. I know that that will take time to put in place, but the committee would certainly be interested, and I suspect that others would, too.

Geoff Aitkenhead: I am not sure what that mechanism is, but I am sure that there are things that we could share with the committee outside of the set pieces. Richard Ackroyd mentioned the Glencorse water treatment works, which is pretty close to the forefront of sustainable design. If members of the committee are interested in a visit to that site, we would be more than happy to arrange it.

The Convener: We take that offer on board—thank you.

Des McNulty: The Flood Risk Management (Scotland) Act 2009 identifies you as a responsible authority. How does the act affect your current and future investment programmes? Are you confident

that you can discharge your obligations under the new legislation?

Richard Ackroyd: It is a big issue for us, and we have a clear role under the legislation.

I will talk about some specific things in the investment programme. We have put some proposals in our plan around making some of our key treatment works and pumping stations flood resilient—I refer to those that are lower down, next to rivers. We have every reason to believe that they will be approved through the price review process. That is a piece of good news.

Going beyond that and into the wider issues, our role is twofold. First, our role is about working much more closely with local councils and with the Scottish Environment Protection Agency so that we get the planning right through matching, as far as possible, expected run-off with drainage and our systems. Secondly, the other huge lever that we all have to pull is to reduce the volumes of surface water that get into the sewerage networks. Geoff Aitkenhead might wish to describe how we are tackling that.

Geoff Aitkenhead: We were particularly pleased that surface water management planning was included as a tool in the Flood Risk Management (Scotland) Act 2009. We have done some good work recently with Glasgow City Council to understand how surface water management plans and sustainable urban drainage can be applied, particularly in the east end and the Commonwealth games village development. We need to extend that, and we have a lot of work to do.

We have made initial contacts with local authorities, and we are very keen to be an active player in implementing schemes that will be led by local authorities but which will have a contribution from Scottish Water, with our understanding of the impact on our systems and of the changes that we need to make to our assets in order to contribute to the local authority's overall flood risk management plan.

Des McNulty: I presume that that discussion will come under the metropolitan Glasgow strategic drainage plan.

Geoff Aitkenhead: It will, indeed.

Richard Ackroyd: Such discussions are starting with councils across Scotland.

The Convener: I have a couple of follow-up questions about the climate change agenda. I want to understand a little more clearly what you were saying about the potential for larger-scale renewables facilities on land that is owned by Scottish Water. I assume that if you get into some sort of partnership arrangement with an existing renewable energy business, you would not be

talking about generating electricity to feed directly into Scottish Water's demand, but would be looking to generate revenue by selling it to the grid. Is that right?

15:00

Ronnie Mercer: Yes. In the smaller facilities, we would be trying to satisfy our own site's demands before chipping the extra over the fence, as it were. Given the number of megawatt hours that we use in a year, the only way we could be self-sufficient would be by using large wind farms. Obviously, we would not be using the power directly in our sites, but we would effectively be using green energy to cover all of our needs. That is the principle that we are applying.

The Convener: It is important to understand that, although that is a potentially great source of revenue for Scottish Water and is helpful in terms of Scotland's overall renewables targets, it does not reduce Scottish Water's operational emissions any more than buying electricity from an existing renewables supplier would.

Richard Ackroyd: That is correct, but we still think that it is the right way for us to go.

The Convener: It is definitely under the heading "Good Things", but it is important to understand the distinction that I made.

Ronnie Mercer: Yes, but that is the only way we could be self sufficient, although you are right to point out that a large wind farm would just feed into the grid.

Shirley-Anne Somerville: What will happen in 2014, if you meet the economic level of leakage that you have agreed with the regulator? You have mentioned how important that is with regard to tackling climate change. Once you have met one target, what will you do to ensure that you meet your climate change targets by continuing to reduce leakage?

Ronnie Mercer: We would never stop working on leakage even if we did not have a target to reach. In order just to stand still in respect of the economic level of leakage, we have to have a lot of people working on it, which involves a lot of money and time. If we did not do that, it would run away from us again. At that point, however, we would be spending money that we perhaps should not be spending, under the present definition, because we would be spending more than we would be saving. Whether that will change—for example, it might be the case that, because of climate change considerations, such work is judged to be something that should be done regardless of monetary concerns—I do not know.

Shirley-Anne Somerville: You are looking at the matter from an economic perspective rather than from a climate change perspective.

Geoff Aitkenhead: There is another iteration to come. We in Scotland are, compared with the rest of the United Kingdom, at the beginning of the leakage journey, although we have made significant strides in the past three years. At the moment, we have a view on the economic level of leakage across Scotland, but we will drive straight through that, because we will be considering the economic levels of leakage on a zonal basis, which involves the asset rationalisation that we were talking about earlier, and which is done on a regional basis, rather than a Scotland-wide basis.

There is already a debate in the industry about sustainable levels of leakage rather than economic levels of leakage. That involves bringing other factors into the equation, such as the social and environmental costs of leakage rather than just the economic costs.

Shirley-Anne Somerville: It might be useful if future reports said more about that, rather than just making statements about the economic side.

Richard Ackroyd: By 2014, we will be in the carbon reduction commitment scheme. We do not know what the price of carbon under that scheme will be at that point but, as the price goes up, the economic level of leakage will reduce further.

The Convener: We have enough time to run through the final items that we wanted to cover.

Cathy Peattie: The draft determination proposes an average charge cap for household customers of retail prices index minus 1.5 per cent. What is your view of the charge caps in the draft determination, and do you have any specific concerns about the draft determination?

Ronnie Mercer: There is a process taking place: we have to respond to the draft determination by 23 September. The board will meet tomorrow to discuss what that response will be, and the WIC will then come back to us in November, when we hope to reach an accommodation.

We are all for flat pricing being below inflation, but that figure could move depending on the outcome of the discussions. We would not want to pre-empt those discussions today, because we have not yet responded to the regulator. We will just have to say "watch this space" on that one.

Richard Ackroyd: I should point out that, if the committee has a view on that, it is important that you register that view with the Water Industry Commission for Scotland before 23 September.

The Convener: We will discuss later in the meeting whether we will do further work on that.

Cathy Peattie: The draft determination includes some discussion of borrowing from Government. Specifically, it says that the Scottish Government may no longer be able to offer Scottish Water full flexibility in the timing of its borrowings. If the Scottish Government is not able to offer full flexibility in the next regulatory period, what impact will that have on the organisation?

Richard Ackroyd: The commission is speculating. An important part of our consideration of the price determination is to get a commitment from ministers that they acknowledge the level of borrowing that is necessary for us to achieve what the determination will ultimately require us to achieve. We are in active discussion with officials about that, and we hope to get confirmation from ministers that we will be able to draw down the right amounts at the right time.

Cathy Peattie: If that is not possible, what plans are in place to deal with the situation?

Richard Ackroyd: If it is not possible for whatever reason, what options would be available? It would be a matter of deferring investment. Simple arithmetic says that we will not be able to invest as much if we do not have access to borrowing.

Alex Johnstone: We could always change the regulatory regime and the status of Scottish Water to allow it to source resource beyond that which is available from the Government.

Cathy Peattie: I am not sure that I would be happy with that.

The Convener: I think the committee will note the suggestion.

Shirley-Anne Somerville: I will ask about retail competition. Scottish Water's annual report states:

"Business Stream have completed the year having retained the majority of its customers."

That is welcome, but perhaps the witnesses will tell us how many it has lost and why.

Mark Powles: It is a moving feast but, in the year in question, our customers still represent more than 99 per cent of the market. About 500 properties or units have switched but, to my mind, switching is a narrow way to define whether retail competition is working; if we in Business Stream had sat back and waited for everyone to come in and try to take the customers from us, the figure might have been a lot higher. We have tried to listen to customers, to identify what they want from their retailer and to provide a range of services, discounting structures and price incentives that mean that they want to stay with us.

The market is still young and the economic environment has made people think about whether they want to switch or enter the market. However,

we have stepped up to the plate and are starting to deliver to customers the services that they want, which is building loyalty.

Shirley-Anne Somerville: What is the profile of the 1 per cent of customers you have lost? Are they some of your largest customers? Is there any change in the small business sector or have small businesses not really bought into competition?

Mark Powles: The profile is a mixture. Some are high-profile big businesses and quite a few are in the small and medium-sized enterprise market, from sole traders to people with two or three units. Our philosophy is that, although we will celebrate when we sign a long-term contract with a customer, we will also do an inquest every time somebody switches because we want to know why they have done so and what we need to do to win them back in the future.

It would be naive to think that we could hold on to 100 per cent of the market for ever, but we know the reasons why people have switched and we have worked hard to ensure that we develop the right services to address those reasons. However, some customers will switch.

Shirley-Anne Somerville: What are the main reasons for switching that customers give you?

Mark Powles: With some the reason is price. One can provide what I call economic discounts to a customer. I cannot legislate for somebody coming in and offering something that is completely out of kilter. In the early days, some customers switched for quite big discounts. I am happy to let such customers go because I cannot provide the service at the level of discount that they have been offered by somebody else. That is not the case for all customers. There is a long history and some customers have had bad experiences before the introduction of competition and after it, so they have left. However, nothing gives me major concern that we have not got our strategy right.

Shirley-Anne Somerville: Your report also states:

"Awareness of the Business Stream brand has gone from zero in November 2007 to 46% by April 2009".

That leaves 54 per cent of potential customers who still seem to have no idea who you are. What is being done about that?

Mark Powles: There is spontaneous awareness and prompted awareness. I could quite happily get up to 90 per cent brand awareness very quickly, but I would probably have to spend £10 million or £15 million to do it. There is no doubt that we focus very much on educating customers to let them know that competition is coming, outline what their choices are and start to promote our services. We serve about 100,000 customers in

Scotland, so it has to be an iterative effect. To get to 46 per cent awareness in the first 12 to 15 months after launching a brand was way above what we expected. We have used marketing spend prudently to create the maximum impact. We are now trying to segment our customer base, because the messages that we need to give to customers differ depending on whether the customer is a farmer, a retailer or an industrial plant. We have started to do much more targeted marketing, so I expect to see the figure increase over the next 12 months. It is a product of how much we are prepared to spend on marketing investment.

The Convener: Are there any final questions?

Rob Gibson: Issues of flood risk management are in many of our minds, given the recent problems with floods in the north-east. You have, as a responsible authority, new duties to discharge with regard to flood risk management. Has any of that kicked in yet in respect of your response to what happened in Elgin, Fochabers and so on?

Richard Ackroyd: The major way in which that has kicked in is through the better planning and closer liaison that we are starting to do with the councils. I do not think anybody could have done anything that would have stopped the flooding in the north-east in the past week, although reports after the event will probably comment on whether anything could have been done to mitigate the impact. Scottish Water has, as much as anything else, been a victim of the flooding—our sewers have been flooded and some of our assets have been damaged. Ultimately, the only way we can deal with those matters is to have better defences around assets and to seek to find alternative routes for the water to dissipate.

Rob Gibson: It would be interesting for us to get your interim views once you know what has happened, because this is an example of the realities of flood risk management that we have to dig into in respect of the Climate Change (Scotland) Act 2009.

The Convener: I have a final question. It is a gut reaction to the section in the annual report that lists, and gives background information on, the board members. They all seem to have something very important in common. Can you spot what it is? Has Scottish Water considered diversity on the board and among senior staff?

Ronnie Mercer: I have been attending diversity meetings with Karen Carlton. There has been one change since we printed the report—there is now a female on the board. We obey the appointment process assiduously. It starts off with blind sifting, so we do not know what the shortlist is until we turn the cards face up. After that, we have to go through formal interviews to establish

competencies. We would say that we support diversity, so I am pleased to say that we now have a female on the board. I appreciate the question, but I think that what we have done in respect of appointments would stand up to scrutiny. You will understand that the appointments are mainly about professional competence.

We have a customer service expert—Lynne Peacock—who is the chief executive of Clydesdale and Yorkshire Bank. I am delighted with the level of person that we are attracting to the board. Lynne Peacock is a chief executive and Andrew Wyllie is the chief executive of Costain Group—construction is a game that we are in. You probably know Jim Spowart, who created Intelligent Finance. We are happy with the level of person that we are getting. Diversity has to be achieved within the rules of blind sifting and appointment for professional competency and it depends on who applies. We must obey those rules.

15:15

The Convener: I note that one woman has been appointed to the board in the past few months. Further on in the annual report, the names of the senior staff whose remuneration is recorded show a similar balance, in that they are overwhelmingly male. When those cards are turned over and people realise that things are so unequal, does Scottish Water consider how—to use a mixed metaphor—it casts the net in the first place?

Ronnie Mercer: For executive members, the net is cast nationwide, although internally rather than externally. Obviously, the non-executive members are recruited externally, so the result depends on who replies to the advert, who is headhunted and who is interested. The net is really cast very wide. The process is quite long and rigorous.

Richard Ackroyd might want to talk about the executive members.

Richard Ackroyd: As far as the executive members are concerned, we are very conscious of that imbalance. We have women among our senior executive population below board level, but they are a minority. I think that it will take quite a while to change the situation because we do not have huge turnover at that level, but I have no doubt that we need to grapple with the issue.

The Convener: Many boards are still at an early stage in considering such issues.

Cathy Peattie: I understand what Richard Ackroyd is saying, but I suggest that he go back and look at the organisation's processes. Often, people will pick people like themselves—I do not suggest that the sifting process is not as good as it

should be—but I think that the issue should be looked at. In ensuring that the organisation has highly skilled members of staff, surely there is no suggestion that Scotland's workplaces do not have such a thing as highly skilled women?

Ronnie Mercer: We certainly make no such suggestion. Let me just make two points in response: first, the selection process is not ours, but the Scottish Government's. Secondly, board members are not appointed by us but by the Scottish Government. For positions in the board where the appointments are not made by the Scottish Government—in Scottish Water Business Stream—40 per cent of the senior staff are female.

The Convener: Perhaps we can put that point to the cabinet secretary when we see him soon. For the moment, gentlemen, thank you very much.

Budget Process 2010-11 (Witness Expenses)

15:17

The Convener: Agenda item 3 is a proposal to delegate to me the responsibility to arrange for the Scottish Parliamentary Corporate Body to pay witness expenses during our consideration of the draft budget. Is that delegation agreed?

Members *indicated agreement.*

The Convener: We have already agreed that the next two items will be considered in private.

15:17

Meeting continued in private until 15:52.

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