



**Scottish
Water**
Trusted to serve Scotland

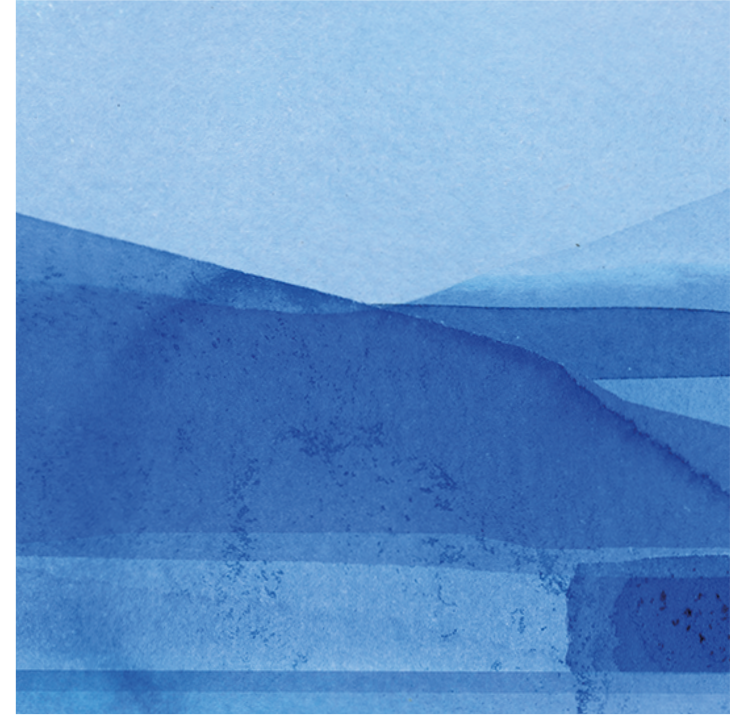


SETTING OUR AMBITIONS IN MOTION
PLAN FOR TRANSFORMATION
AUGUST 2021

DRAFT PROPOSAL - SETTING OUR AMBITIONS IN MOTION - PLAN FOR TRANSFORMATION

As Scotland's public water utility company, we are required to assess, monitor and consult on the likely impacts of our 'Setting our Ambitions in Motion - Plan for Transformation' on the natural environment.

Until we can finalise and incorporate the findings of our Strategic Environmental Assessment, our 'Setting our Ambitions in Motion - Plan for Transformation' should be considered as a draft proposal.



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FOREWORD BY THE CEO DOUGLAS MILLICAN



We have a bold ambition to transform Scottish Water. Transforming what we do to provide water and waste water services in a way that makes the broadest possible contribution to the life and wellbeing of people, businesses, communities and the environment across Scotland. And transforming how we deliver to achieve service excellence and go beyond net zero emissions while providing great value for our customers.

Achieving any one of our strategic ambitions is highly challenging, but achieving all three together, requires a fundamental transformation of nearly all that we do over the coming years, as we implement what we can see today and build the capabilities we'll need to seize future opportunities.

Over the past year, many of us have been privileged to learn from other sectors and countries about practices and approaches that could be relevant to Scottish Water as we transform. As we have learned from others, I have been inspired by our people who've rolled-up-their sleeves, developing stretching plans for how we will transform Scottish Water to realise our future ambitions and potential. And inspired too by all our people who have delivered our services so well during the challenges of COVID-19.

Our transformation consists of many parts. None of these ideas will work in isolation; rather, they each play a vital role in contributing to something much larger than the sum of the parts.

This plan will change and grow as we deliver and learn. We'll build on what we achieve, learning from our experiences, and look outside to learn from others. We'll develop and embrace new capabilities. Most of all we will draw on the passion and ideas of those who contribute to our success. I invite you all, whether the people of Scottish Water or our partners, or the citizens of our country and beyond, to join us in helping Scottish Water to reach its full potential in supporting Scotland to flourish.

EXHIBIT 1 – TRANSFORMATION PLANNING IN NUMBERS
**WE'VE PUSHED OURSELVES TO LEARN FROM
EACH OTHER AND THE BEST IN THE FIELD**



20+

LEADING ORGANISATIONS ENGAGED,
to explore the 'Art of the Possible' and lessons
from successful transformations elsewhere



~100

EMPLOYEES INVOLVED
in transformation planning across a full and
diverse cross-section of the organisation



7000

COMMENTS SUBMITTED
through Scottish Water Today survey,
helping to inform our transformation
and organisational priorities



9

CROSS-CUTTING ENDURING THEMES
across both performance and health topics,
each with a number of specific initiatives



OUR AMBITION FOR THE TRANSFORMATION

Over the next few decades, we will transform how we do things helping Scotland to flourish and building trust in our care for the water on which Scotland depends.



We've stretched and challenged ourselves, across our whole range of activities, to pursue what may be possible as we transform to (1) meet our Strategic Plan commitments and changes to the regulatory environment, including expectations of ministers and our sector stakeholders¹, (2) deal with ageing infrastructure combined with a rapidly evolving backdrop of changing citizen expectations and the challenge of responding to the impacts of climate change, empowerment culture, technological advancement and decarbonisation.

Our Strategic Plan, 'Our Future Together' published in February 2020, laid out our three strategic ambitions that are aligned with our role in achieving Scotland's ambitious water sector vision²:

- **Service excellence** adapting to a changing climate, dealing with our ageing assets and meeting our customers' evolving expectations
- **Beyond net zero emissions** showing leadership in mitigating climate change and enhancing Scotland's natural environment
- **Great value and financial sustainability** customers will receive great value, now and in the future, and we will be financially sustainable

Our transformation is designed to deliver these ambitions and our broader commitments, working in a way that is fundamentally different to the way we have worked before. The Scottish Water of the future will be:

- **Strategic** so that we can take well-evidenced decisions that balance across competing priorities even when they are difficult
- **Inclusive** by empowering our people, customers, communities and stakeholders
- **Adaptive** so we can react well and be on the front foot of the risks and opportunities changing circumstances and feedback bring
- **Efficient** so we can move from decisions to action for our customers and communities quickly

¹ Including but not limited to the Ministerial Objectives, WICS' Final Determination, Customer Forum Memorandum of Agreements, and SEPA Sector Plans

² Vision for the water sector in Scotland: <https://www.scottishwater.co.uk/About-Us/News-and-Views/2019/10/101019-The-Vision>

- Powered by digital technology, robotics, remote operating centres and analytical insights that enable us to fix problems before they impact our customers and communities, in a way that predicts and prescribes solutions, and is safe for our people, good value for our customers and less carbon intensive for our environment
- Customer focused, so that our conversations and insights will help us take every decision as if the customer were in the room now and in the future, allow us to involve and empower our customers and the communities we serve so that we realise the value that matters most to them, and work in partnership to deliver better places to live and work
- Leading collaboration with our partners, stakeholders and other organisations so that we create solutions and value together, with a relentless focus on learning and improving
- And, as outlined in the transformation requirements from the final determination of the Strategic Review of Charges 2021, we will embrace challenges as opportunities and take a collaborative and proactive approach to meeting the needs and aspirations of our regulators

3 Scottish Water ranked 9 in the July 2021 UKCSI report from Institute of Customer Service with a score of 83.5

With all this in mind, our plan for transformation will be dynamic, underpinning our longer-term transformation activities and will not be a static “task and finish” plan. We have identified important opportunities where we need to focus and prioritise. But our transformation is as much about building the capabilities and mindsets to keep adapting, as it is about delivering the initial plans we have laid today. We will need new skills to keep sensing what else we need to change and how our customers’ wants and needs are changing, and continually iterate what we do and how we do it.

As an organisation, we have a number of strengths. We are ranked in the top 10 for the UK Customer Satisfaction Index³, our recent Scottish Water Today survey results tell us our organisational health is above median and benchmarks well against other utilities, public sector and wider UK organisations. Our drinking water, the quality of Scotland’s water environment, and our efficiency are at their best-ever levels. We make a critical contribution to Scotland’s health, well-being and prosperity, the sustainability of our natural environment, and our country’s long-term economic success. However, there remains significant opportunity to serve Scotland better, and transform from a good to a great organisation in an increasingly challenging world. We are determined to seize this opportunity and this document lays out how we plan to do it.



HOW WE WILL TRANSFORM

We have learned that successful transformations are bold, grounded in purpose and organisation-wide. Breakthrough transformations change the way an organisation works and make strategic moves that re-define a business. Our transformation will be all those things.

The transformation covers our entire activity and priorities. It includes new ideas and initiatives, as well as high-impact work already underway such as Scottish Water’s Character, Transforming our Future Delivery, the Asset Management Transformation Routemap, Net Zero Routemap and Water Supply Risk Management.

Three inter-connected themes provide the frame for what we will do over the next decade to transform successfully, achieve our ambitions (even as these may evolve) and help Scotland flourish over the long term:

**DEEPEN OUR CUSTOMER
AND COMMUNITY FOCUS**

INVEST STRATEGICALLY FOR SCOTLAND

BECOME FIT FOR THE FUTURE



DEEPEN OUR CUSTOMER AND COMMUNITY FOCUS

We will put customers and communities first, use insights to make decisions, and enable everyone to play their part.

INVEST STRATEGICALLY FOR SCOTLAND

Transform how we take strategic decisions and prioritise investments, and deliver low carbon infrastructure.

BECOME FIT FOR THE FUTURE

Develop a lean and agile learning organisation that looks up and out, and continuously evolves, so that we can flexibly and quickly deliver our contribution to Scotland.



Throughout, we will continue to perform as we transform - delivering great service 24/7 whilst investing in our assets - working closely with our partners and stakeholders, as we achieve our goals for Scotland together.

We will deliver substantial change, but it will not be all at once. Our transformation is broken down into three main phases, and will continue to evolve with new ideas and initiatives.

[View our Strategic plan, 'Our Future Together'](#)

EXHIBIT 3 – THE HORIZONS OF OUR TRANSFORMATION

THE EARLY YEARS OF OUR TRANSFORMATION
WILL CREATE A FOUNDATION

	0-2 years Launch strategic moves	2-5 years Strengthen new behaviours and scan for opportunities	5-10 years Embark on next horizon of innovation & transformation
DEEPEN OUR CUSTOMER AND COMMUNITY FOCUS	Improvements in customer experience and value, and service excellence, supported by customer and community insights about what they value and expect	Customer and community centric behaviours and mindsets fully embedded across Scottish Water, influencing decision making, ways of working and the partnerships we lead	Next iteration of customer and community centricity and engagement, based on emergent best practice and Scottish Water priorities Customer and community benefits delivered across full hierarchy of needs
INVEST STRATEGICALLY FOR SCOTLAND	Best in class capital allocation and investment appraisal approach stood up, and contributing to delivering all strategic ambitions, including net zero	Revitalised approach to investment appraisal is embedded, with strong internal capabilities and clearly communicated strategic priorities	Continued confidence from sector stakeholders and a co-developed rolling investment programme for the next phase of strategic investment
BECOME FIT FOR THE FUTURE	Successful agile frontrunners, and intelligent asset pilots, supported by a solutions hub with multiple optimised E2E journeys and new ways of working adopted in most areas	Continuous waves of improvement and efficiency (e.g., shift to intelligent decision making, carbon reductions) based on external learning and new sources of insights	Operational excellence, including a fully established remote operating centre monitoring asset performance in real time



Our transformation will require all of these different elements to work together in a holistic system of change, where the overall benefit is greater than the sum of the parts.

Taken together, these changes will represent large-scale shifts in ways of working for Scottish Water. It is an inter-connected system of changes that together will transform us; it is far more than a collection of workstreams and initiatives.

Selection of example initiatives - not exhaustive

Deepen our customer and community focus

1. **Create customer and community vision, focus and success measures.** Create a clear strategic approach to engaging and embedding our customers and communities in all we do, so that all our conversations start and end with those that use, and are impacted by, our services and activities. Continually define who our customers and communities are, what is important to them now, and what will be important in the future. Incorporate these strategies, definitions and success measures into objectives. Embed throughout Scottish Water and continually iterate to consider future sentiment and needs.

2. Build a customer and community insight engine.

Develop, deliver and embed a customer and community insight engine which dynamically captures and analyses data, intelligence and sentiment to provide the insight needed for decision makers to take action as if the customer were in the room. This insight will build on data currently available and engagement with customers and communities to further understand their views, and be used to support prioritisation and process improvement, and proactively drive increased benefit for customers and communities.

Invest strategically for Scotland

3. **Develop a new approach to portfolio and programme prioritisation.** Establish a best-in-class approach to capital allocation, to maximise benefits from our investment decisions. Develop the tools (e.g., scoring optimiser and investment metrics) and capabilities (e.g. strategic analysis and continuous horizon scanning) to dynamically balance portfolios and programmes in line with business priorities, allocate resources accordingly, and measure performance.

4. **Build short- and long-term system plans.**

Develop better understanding of our water and waste water systems and potential risks/ opportunities for delivering service excellence, customer value and efficiency. Use this informed view about entire systems (e.g. productivity) to drive decision-making and prioritisation holistically, rather than on an asset-by-asset basis.

Become fit for the future

5. **Build solutions engines.** Design customer journeys, business processes and governance that deliver value for customers. Support a shift to constant improvement, higher productivity and quality, while removing waste and maximising standardisation and automation where it delivers benefit to customers.

6. **Create remote control assets.** Starting with a pilot, roll out remote control technology, so that we can respond to issues at assets without the need to send people to site. Understand and mitigate security risks of the technology.

7. **Shift to new, agile ways of working.**

Starting in the area of planning and delivery, create a new, streamlined, outcome driven structure that improves efficiency. Use as a platform for new structures across Scottish Water.

8. **Build a strategic skills plan.** Develop a strategic skills plan that identifies skills, including leadership skills, required now and in the future and how we will address shortages. Build the plan into development goals, career paths and performance processes.

9. **Look up and out.** Shift towards becoming a learning organisation where the focus is on innovation and improvement, underpinned by a candid culture of accountability, feedback and transparency.



THE IMPACT

Our plan for transformation sets out an ambitious change programme in the short to medium term, but there will be more changes, and benefits as the transformation unfolds. The following section describes the benefits we can see now but is not the limit of our ambition. The benefits of our transformation will be holistic and cover five dimensions:



**GREAT VALUE
& FINANCIAL
STABILITY**



**BEYOND NET
ZERO EMISSIONS**



**SERVICE
EXCELLENCE**



**PEOPLE
EXPERIENCE**



**STAKEHOLDER
CONFIDENCE**



EXHIBIT 4

OUR TRANSFORMATION WILL ENABLE US TO DELIVER OUR STRATEGIC AMBITIONS,
MEET COMMITMENTS TO STAKEHOLDERS AND PROVIDE A RANGE OF BENEFITS



**GREAT VALUE
& FINANCIAL
SUSTAINABILITY**



**BEYOND
NET ZERO**



**SERVICE
EXCELLENCE**



**PEOPLE
EXPERIENCE**



**STAKEHOLDER
CONFIDENCE**

Over the next decade, our transformation is expected to deliver...

£0.9bn to £1.2bn
OF FINANCIAL BENEFITS
(across both Tier 1⁴ and Tier 2⁵)

**~20%
REDUCTION**
IN CARBON INTENSITY
and 15 - 20ktCO₂e reduction in
operational emissions⁶

IMPROVEMENTS TO
SERVICE AND
CUSTOMER EXPERIENCE,
including better prediction
and prevention, more first time
resolutions and fewer escalations

ORGANISATIONAL
HEALTH
IMPROVEMENTS,
with a focus on those most
important to our people

GREATER
CONFIDENCE
OF EXTERNAL
STAKEHOLDERS IN
SCOTTISH WATER

**Supporting a Flourishing Scotland through being trusted
to care for the water on which Scotland depends**

⁴ Broadly recurring expenditure (operating costs, PFI contract fees, interest costs, responsive repair and refurbishment (Tier 1a), and reasonable cost contributions to developers).

⁵ These are the needs and opportunities associated with enhancement, flooding, growth, asset replacement and planned repair and refurbishment investment.

⁶ [Net Zero Routemap Link](#)

Great value & financial sustainability

The transformational initiatives identified so far are expected to deliver up to £0.9 - £1.2bn in financial benefits over the next decade⁷:

Tier 1 cost reduction of 8-10%, equivalent to £360 -£490m, over ten years⁷, to be reinvested in service. This puts us in good stead to reach and exceed the 1% YoY cost efficiency challenge, noting that future initiatives and opportunities not yet known will also contribute to efficiency.

Improved efficiency of Tier 2 planning and delivery activities – leading to 13-17% more output from our Tier 2 investment. This equates to £520 - £700m over ten years (including £240 - £340m cost avoidance).

Beyond net zero

We have set out in our Net Zero Emission Routemap the steps we need to take to achieve net zero greenhouse emissions across our operational and investment activities. While the strategy outlined in our Routemap will continue to evolve and will address all our emissions, we expect, that over ten years, the transformation activities will directly reduce our operational footprint by up to 15 - 20kt CO₂e – significantly reducing the investment we need to make in carbon capture - and enable a 50kt CO₂e reduction in our investment carbon footprint through

partnership working, smart networks and lean processes. All our activities should allow us to deliver our net zero ambitions earlier than 2040.

Service excellence

The transformation will improve our service experience and customer value, through streamlined journeys and performance improvements, such as predictive and first-time resolution of issues, asset maintenance, self-service and others. These improvements in customer value are expected to deliver an 8-point increase in our Customer Experience Measure⁸, in addition to benefits across other service dimensions⁹. The expected 8 points come from our expectation that we can reduce formal written complaints by c90%, service issue contacts by c60% and escalations by c95% over ten years as a result of service excellence.

We will do this by better predicting and preventing issues so customers experience fewer service failures and have issues resolved more quickly, managing and repairing assets to predict and avoid pollution events, digitising and automating customer journeys so customers having seamless and consistent experiences, and better understanding and supporting our most vulnerable customers so all people receive excellence service and support.



The transformation will improve our service experience and customer value



⁷ All figures are risk adjusted. Financial benefits comprise c. 40% cost reduction, 60% productivity improvements / cost avoidance. Tier 1 current cost baseline of £707m excludes interest and tax.

⁸ Household CEM improvement score based on expected impact of transformation workstreams and initiatives to deliver benefits linked to CEM, for example unwanted contact. Key drivers are the Intelligent Asset Base and Solutions Hub-related initiatives. Potential to increase CEM from 86 to 94/100 over a ten year period.

⁹ Benefits will be considered across seven dimensions to capture the holistic nature of Scottish Water’s service delivery: household CEM, non-household CEM, developer CEM, stakeholder and community experience, OPA, health and safety, and service performance tracker.

People experience

Scottish Water will look and feel different for its people and partners as it transforms and improves its organisational health. We will attract, develop, nurture and recognise people who demonstrate new behaviours and mindsets, including continuous learning, collaboration, empowering others and accountability. We will build and deploy top digital, analytical and agile capabilities to support our people to do what they do best in a safe, healthy, supportive and enjoyable work environment.

The Scottish Water Today (SWT) survey, undertaken in early 2021, provides the baseline for people's experience at Scottish Water and has helped us prioritise where to focus our transformation effort. For example, we have prioritised a new performance enhancement system to address low organisational health outcomes regarding performance transparency, career opportunities and recognition¹⁰. Our intention is to use a version of the SWT survey to assess our impact over time, so we can continually improve in areas that matter most to our people and to Scottish Water's organisational health and business performance.

Stakeholder confidence

We will listen to our sector stakeholders and they will see, feel and contribute to the benefits of the transformation from the start. For example, to build stakeholder confidence, one of our first priorities will be to boost our new strategic investment decision making capability. We will assess, make, and transparently communicate well-evidenced capital allocation decisions to ensure we are operating our strategic investment planning in a more continuous and consistent way and to a higher standard. This will include developing new approaches to embed environmental, social and economic impacts and benefits within decision making. We will iterate and improve our approach based on collaboration, learning and feedback from our partners and stakeholders, so that we continue to make better decisions for Scotland and support a sustainable partner ecosystem.

The transformation activities identified so far will deliver against the immediate commitments made to, and expectations of, our stakeholders (e.g. regulatory requirements). They will also position us to continually learn and revise our service and operations as expectations rise and our context changes.



¹⁰ Power practices and lowest quartile scores refer to the outcomes of the Scottish Water Today survey run in early 2021. Power practices are those that have the greatest impact on organisational health and are essential to improve: Role clarity, personal ownership, strategic clarity, and competitive insights. Lowest quartile score are those where the proportion of respondents who selected 'agree' or 'strongly agree' was in the lowest quartile compared to other organisations: performance contracts, consequence management, people performance review, talent acquisition, performance transparency, career opportunities, financial incentives, and reward and recognition.

THE PLAN TO DELIVER

Successful transformations move fast to create momentum for the longer term – our transformation will be no different. We also know that for our transformation to succeed, we will need to bring our people with us and create a positive change experience, managed through a series of organisational health initiatives.



The first 2-3 years of our transformation will be critical to inspiring our people, instilling confidence in our sector stakeholders and creating the “headroom” for us to reinvest in the transformation and create even greater value for customers. On that basis we will place immediate emphasis on creating value for customers and sector stakeholders and inspiring our people. Net zero and service excellence benefits will be realised over the medium to longer term due to the lead times required. We also intend to build new ways of working so that – within a year – our people, customers and sector stakeholders can point to and celebrate a meaningful change.

This requires us to make clear progress within the first three months: for example, by determining the change story and engaging our people with it; developing strategic investment decision making capabilities and setting up new teams to deliver; enabling our leaders to drive change through coaching, training workshops and regular feedback; and leaning and optimising the first end-to-end customer journey within the new solutions hub and cross-functional teams that pull people from all areas

of the business. By the end of 2021 we hope that Scottish Water’s people, customers and sector stakeholders will be excited by, and engaged with, our transformation and be increasingly confident in our ability to deliver.

By the end of March 2022, we will have visible milestones and changes on the ground to celebrate. For example, leaders will have been trained and will be role-modelling new behaviours; customers in pilot areas will experience reduced service failures due to improved asset base performance (Intelligent Asset Base (IAB) pilots); our partners will understand our ambition and how we intend to work with them to achieve it, and our people will join workshops and discussions to develop Scottish Water’s purpose driven story and determine what it means to their day-to-day lives.

Once the first wave of change initiatives is underway, we will develop the next phase of change. Our transformation activity will be based on a rolling and iterating plan that will evolve as Scottish Water and its environment evolves.

EXHIBIT 5 – TRANSFORMATION ROUTEMAP

THE FIRST 2 YEARS WILL BE CRITICAL TO INSPIRING OUR PEOPLE AND
INSTILLING CONFIDENCE IN OUR COMMUNITIES AND SECTOR STAKEHOLDERS

	0-6 months	6-12 months	12-24 months
DEEPEN OUR CUSTOMER AND COMMUNITY FOCUS	<p>Increased alignment felt between people and Scottish Water arising from cascade of purpose-driven change story</p> <p>Leaders and people in customer-facing areas exhibiting customer-centric skills and mindsets and acting in a consistently customer-focused manner</p> <p>We will have begun a new phase of behavioural-change engagement with customers, linking behaviour at home to environmental impact whilst developing a framework for customer and community involvement in all that we do</p>	<p>People are increasingly adopting customer-centric mindsets and behaviours in all areas, following training and capability building</p> <p>New insights about customer needs provided by initial build and roll out of insights engine</p> <p>Customer and community centricity is hardwired into the investment planning and prioritisation processes - not ad hoc</p>	<p>Most Scottish Water people have a clear and consistent understanding of what customers value and expect, and know how this applies to their role</p> <p>Service improvements and reduced escalated community-based issues in response to Scottish Water activities, due to better decisions and communication</p> <p>All external engagement will be aligned towards broad awareness of the opportunities and challenges we face, to build a sustainable future for the Scottish water sector</p>
INVEST STRATEGICALLY FOR SCOTLAND	<p>Critical strategic investment planning and capital allocation capabilities stood up and Scottish Water on track to deliver remaining capabilities</p> <p>Clear investment priorities and benefits categories, based on Scottish Water purpose and strategic plan (e.g., net zero), that will enable us to maximise and articulate value</p>	<p>Consistent project investment appraisal approach that symbolises change to stakeholders, is fit for purpose, consumable, and embedding Customer & Community Centricity (C&CC) insights</p> <p>Established programme of strategic analysis and stakeholder engagement for long term risks and opportunities to inform investment priorities</p>	<p>Scottish Water has an agreed methodology and tools to understand all systems, and the risks and opportunities they face, informing a systematic review of priority systems</p> <p>Strong stakeholder confidence in ability to deliver prioritised change activities and investments</p>

	0-6 months	6-12 months	12-24 months
BECOME FIT FOR THE FUTURE	<p>Solutions hub established and optimisation of developer connections end to end journey complete</p> <p>Three active pilots to increase intelligence from our assets, with early lessons celebrated</p> <p>Real time decision making, automation and remote control understood and communicated as a business priority</p>	<p>Lean and agile capability programme being rolled out (Scottish Water way of working), starting with Plan, Prepare, Deliver (PPD)</p> <p>New opportunities and excitement are building from intelligent-asset-base pilots</p> <p>Teams on the ground are increasingly digitally enabled and operating more efficiently, with required tools and information</p>	<p>The Scottish Water way of working is adopted in most areas, and teams have a clear mandate and have taken real accountability for delivery in line with priorities</p> <p>Multiple end to end journeys optimised, including self-serve tracking channels</p> <p>Reduced water quality incidents, repeat visits and other service failures due to increased proactive maintenance and improved intelligence</p>

SCOTTISH WATER PEOPLE EXPERIENCE

Scottish Water people will be **engaged in the Transformation from Day 1**, with involvement and momentum building quickly.

After the first **6 months, people will be able to point to and celebrate a positive change** e.g. leaders role-modelling new behaviours, and the solutions hub established.

After **12 months**, initiatives will be **delivering change at pace in multiple parts of the business** and adapting to what's working and what's not. Scottish Water people will see the changes and the **transparency of wins and mistakes**, and have opportunities to contribute ideas to further the transformation

ENSURING SUCCESS

We have learned that there are a number of factors that make transformations more likely to succeed – a broad scope with quick sprints, stretch targets and integrated organisational health initiatives.

To ensure these success factors are continually present, we will stand up a Transformation Office (TO) that is able to look up and out, to ensure we reach our full potential and replenish the transformation with innovative new ideas. The TO will also be responsible for pre-empting and unblocking barriers, as well as regularly prioritising and sequencing initiatives, so that we maintain an ambitious pace without overloading our people.

The TO will have five main functions and will coordinate progress across workstreams, supported by the Executive Leadership Team (ELT) sponsors and the **Green Shoot network**¹¹ across directorates. There will also be a regular discipline and reporting rhythm, including centralised tools and processes.



¹¹ A network made up from people from across the organisation that will initially help our people understand the story and seek feedback on how our transformation communications are being received.'

EXHIBIT 6 – TRANSFORMATION ARCHITECTURE

THE TRANSFORMATION WILL BE DRIVEN AND COORDINATED BY A ROBUST ARCHITECTURE, INCLUDING ELT SPONSORS AND A TRANSFORMATION OFFICE

Transformation Office (TO)

Leading Transformation

Overseeing progress, identify and manage risks, resolve emerging **issues**, coordinate transformation **rhythm**, disseminate progress **updates**, approve adoption of **new initiatives** and coach **Workstream Leads**



PROVIDING ASSURANCE

Finance, Carbon, Service and People Impact Leads



SUPPORTING DELIVERY

Scrum Masters and development teams



MANAGING PERFORMANCE

Central pool of flexibly allocated Theme Analysts



ENGAGEMENT

Internal Comms. & External Stakeholder Engagement Leads



PORTFOLIO DESIGN

Change, Finance and Portfolio Design Leads

Workstream Roles

OVERSEEING PROGRESS

ELT Sponsor

COORDINATING DELIVERY

Workstream Lead

DRIVING INITIATIVES

Initiative Owners

Our transformation is an agreed 'Development List need', and projects will be financed in line with the new IPPF¹² process. We are designing the portfolio (of prioritised and sequenced activities) with the aim of making it fully self-financing over this regulatory period without compromising necessary long-term investments. Current profiling of activities suggests that the transformation can be financially net positive within five years, increasing our ability to invest in Scottish Water's critical asset needs over the same period. We expect to invest £350 - £500m and generate up to £0.9 - £1.2bn total financial benefits over 10 years, in addition to net zero and service excellence, plus benefits for our people and stakeholders^{13, 14}.

Investment will be released in a streamlined and dynamic way, based on business-case approvals where pre-defined criteria are met.

¹² Investment Planning & Prioritisation Framework

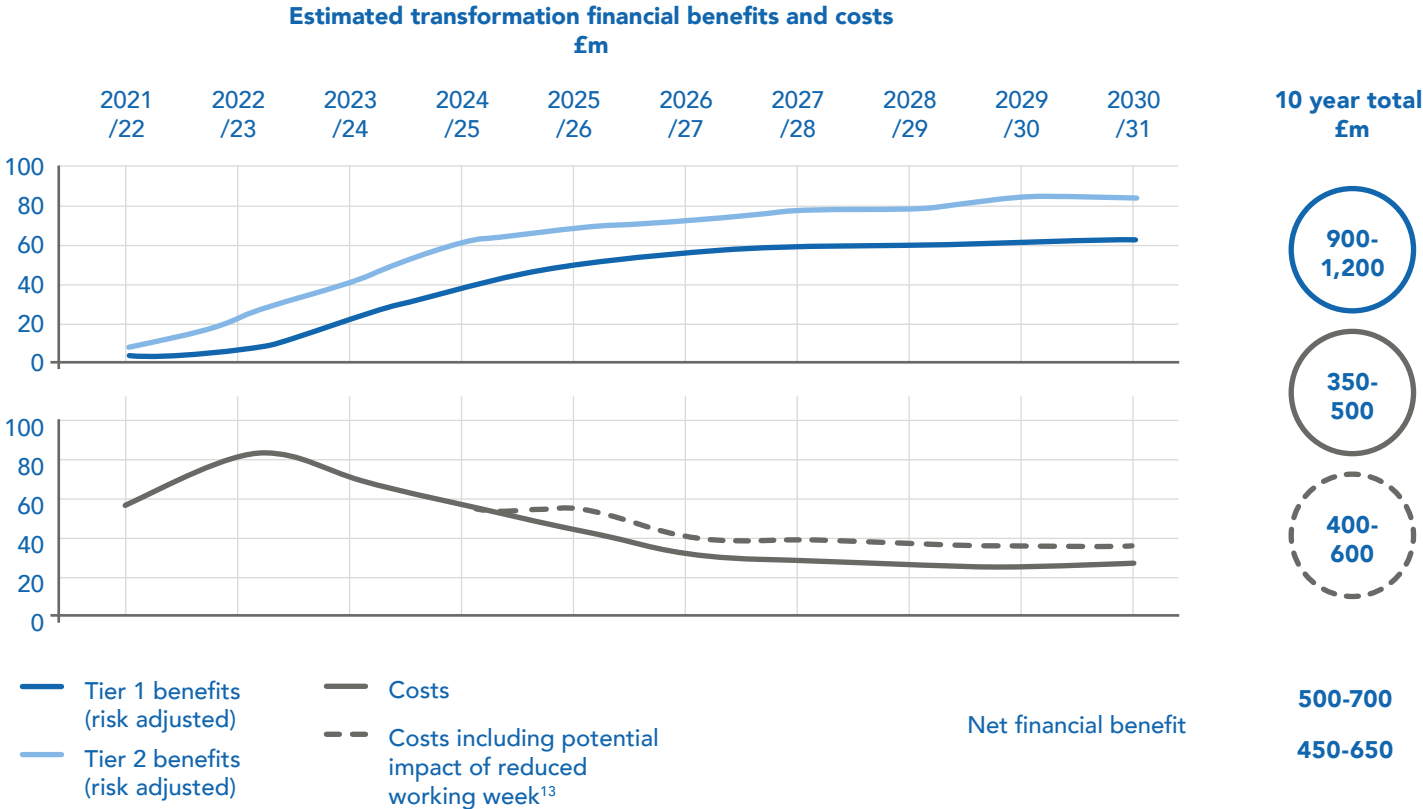
¹³ Based on risk adjusted benefits profile. 15% range.

¹⁴ Net financial benefit is total financial benefits – total costs over 10 years.



EXHIBIT 7 – TRANSFORMATION FUNDING

THE TRANSFORMATION IS EXPECTED TO BE FINANCIALLY NET POSITIVE WITHIN 5 YEARS



Commentary

WE EXPECT INITIATIVES TO DELIVER **£900m - £1.2bn** IN FINANCIAL BENEFITS OVER THE NEXT 10 YEARS (c. 40% Tier 1 cost reduction, 60% Tier 2)

WE PLAN TO INVEST **£350 - £500m** OVER 10 YEARS – largely funded from Tier 2

WE ESTIMATE **70%** OF COST WILL REQUIRE ADDITIONAL FUNDING; 30% is already planned and budgeted spend

Current profiling of activities indicates the transformation can be **FINANCIALLY NET POSITIVE WITHIN 5 years**

We will continue to evaluate the progress of the transformation and make prioritisation choices based on rigorous investment appraisal, including of benefits that deliver our strategic ambitions and build confidence in our stakeholders and our customers. The TO, Learning and Innovation workstream and existing research and innovation team will work together, with Scottish Water people, partners, customers and stakeholders, to generate ideas and innovations. Where appropriate, they will develop these into future initiatives and bold transformation opportunities to generate a transparent pipeline of potential initiatives, open recognition of those contributing ideas, learning from the existing initiatives and clear selection of opportunities in line with priorities.

We know that we can only transform with the support and confidence of our stakeholders. We will report our performance regularly. Inevitably there will be uncertainties. Therefore, it will be important that we become comfortable with using hypotheses, assumptions and scenarios where appropriate, and communicate

successes, learnings and set-backs with transparency and candour. We must look outwards, beyond immediate stakeholders and like-organisations, to identify and understand the challenges and opportunities happening in Scotland and the wider world, and how they may impact Scottish Water and the transformation. We must learn from others, and share our learnings, to best predict and respond to inevitable challenges and opportunities.

Scottish Water has always sought consultation with our trade unions and will continue to do so through the forthcoming period of business change. We will encourage engagement with a particular focus on the benefits and impact experienced by our people.

In undertaking our transformation activities, we will encounter risk; both opportunities and threats. We have and will continue to identify, understand, and manage risk proactively enabling us to proactively respond to legislative changes and new external factors.



NEXT STEPS FOR THE TRANSFORMATION

We plan to launch our transformation in September 2021. Therefore, we need to continue to:

Prepare the “engine” by standing up the transformation architecture and readying priority initiatives for launch, including making sure the directorates are set up to support transformation.

Engage Scottish Water people by running a communication and engagement campaign across the organisation based around our purpose-driven transformation story, which will be shaped with the help of the Storytellers. We will develop and reinforce bold executive commitments to provide certainty and confidence for our people and create channels for our people to shape the transformation with their ideas.

Build readiness and capabilities by ensuring we have a strong network of leaders able to drive the transformation and role model the change, supported with individual and team coaching. We will also invest in training on functional and executional skills essential to transformation.

In parallel, we will continue working with our sector stakeholders to refine our transformation, in addition to carrying out several assessments and consultations (e.g., Strategic Environmental assessment and Equalities Impact Assessment) to ensure our proposals are fair and equitable.



EXHIBIT 8 – PREPARATION, ENGAGEMENT & LEADERSHIP

WE NEED TO GET READY FOR TRANSFORMATION LAUNCH
BY COMPLETING KEY PREPARATION ACTIVITIES

Launch preparations required, in parallel to engaging external stakeholders and refining the transformation document

Prepare the “engine”



STAND UP TRANSFORMATION ARCHITECTURE

Fill roles in TO establish funding mechanisms, and stand up meeting rhythm



DEVELOP ALL PRIORITY INITIATIVES AND MOBILISE INITIATIVES FOR LAUNCH

Finalise and agree business cases (based on pilots/ proof of concepts where required)



PREPARE DIRECTORATES

Review how Directorates will support and deliver the transformation, including clarity of roles vis a vis the TO

Engage Scottish Water people



CRAFT THE PURPOSE-DRIVEN TRANSFORMATION STORY

Develop a compelling change story, linked to Scottish Water purpose and the aspiration of the transformation



ENGAGE EMPLOYEES

Deliver accessible engagement activities, considering options for in person events where possible



MAKE BOLD COMMITMENTS

Communicate positive commitments to provide certainty and confidence

Build readiness and capabilities



MOBILISE “INFLUENCERS”

Identify and mobilise key transformation “influencers” using a “roll in” approach, to help catalyse the change



LEAD BY EXAMPLE

Build ability of leaders to role model the change, through facilitated coaching, as individuals and teams



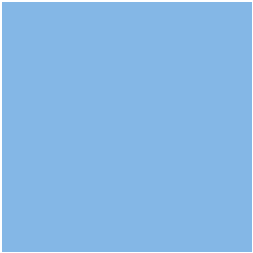
BUILD TRANSFORMATION AND CHANGE CAPABILITIES

Provide training and coaching support on functional and executional skills, cascading to all employees

APPENDIX A1

CONTAINS MORE DETAIL ON EACH WORKSTREAM.

[Read Appendix A1](#)



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