

The logo for Scottish Water is contained within a white square. It features the words "Scottish Water" in a large, bold, blue sans-serif font. Below this, the tagline "Trusted to serve Scotland" is written in a smaller, blue sans-serif font.

**Scottish
Water**
Trusted to serve Scotland

Appointment of:
General Manager Economic
Regulation and Strategic
Financial Planning

January 2023

Reference: ABGVB

An introduction to Scottish Water

Purpose:

Scottish Water has a crucial purpose – at the heart of the country – **to support a flourishing Scotland through being trusted to care for the water on which Scotland depends.**

The organisation is proud to provide water and wastewater services that are essential to everyday life for households and businesses across Scotland. Their drinking water, the quality of Scotland's water environment, customer experience and efficiency are at the best ever levels and stand out compared across the UK. Scottish Water makes a critical contribution to Scotland's health, well-being and prosperity, the sustainability of the natural environment, and the country's long term economic success.

Scottish Water's household and business customers rightly expect a reliable supply of high-quality tap water and for their waste water to be taken away and returned safely to the environment. Whatever the long-term challenges, Scottish Water will do their utmost to meet those expectations and further build customers' trust in them. (See Appendix 1 – Key Facts and Figures)

Ownership:

Scottish Water has a unique and interesting ownership model. They are publicly owned, commercially managed, and independently regulated; and are ultimately answerable to the people of Scotland for the services they deliver. They continuously listen to customers and communities to understand their expectations and seek to meet these wherever possible. (See Appendix 2 – The Water Industry in Scotland)

Culture

The culture at Scottish Water is collaborative, open, transparent, responsible, and caring with high levels of psychological safety and a deep desire to continuously improve performance. The executive team comes from a wide range of backgrounds and brings together deep experience within the Scottish water sector and outside perspectives.

CEO appointment:

Douglas Millican announced his retirement as CEO of Scottish Water in 2022, after a successful 10 years in the role and 20 years as part of its board and executive leadership team. Alex Plant has been appointed as the new CEO with effect from 1 June 2023. Alex will join a trusted, high-performing organisation that has already embarked on an exciting multiyear transformation. He will lead through the current regulatory period, investing and upgrading critical infrastructure whilst delivering exceptional customer service, and planning for the next regulatory period from 2027.

Director of Strategy and Regulation recruitment:

Alan Scott was CFO of Scottish Water until February 2022 when he then took on the Strategy role, with the aim to develop Scottish Water's long term strategic planning capability, in conjunction with stakeholders. Alan is planning to retire in December 2023 and Scottish Water will shortly be commencing an executive search process to identify his successor. This role will initially report to Alan and subsequently transition to the newly appointed Director during the latter half of 2023.

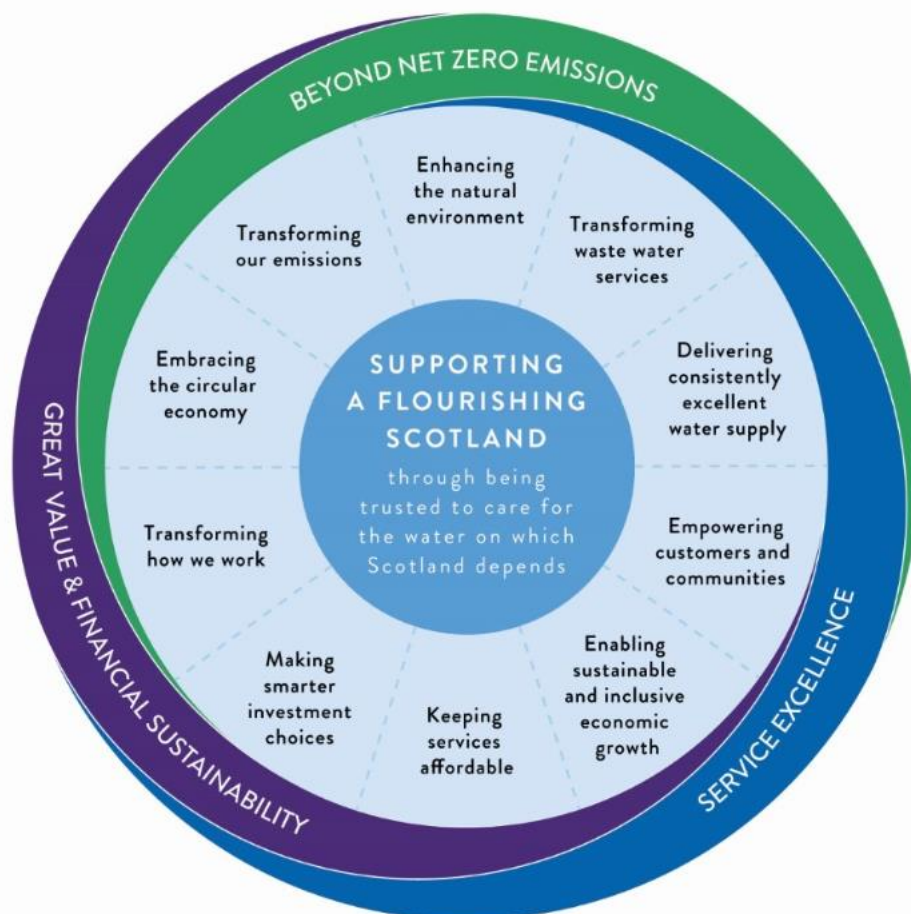
Strategic Ambitions

Scottish Water is expected to meet, and sets out to out-perform, demanding expectations placed on it by Scottish Ministers and through independent economic, quality and environmental regulation. Having consistently outperformed the expectations set in successive regulatory periods, Scottish Water seeks to make the broadest possible contribution to the success of Scotland. As such, Scottish Water's purpose (as mentioned above) reflects Scottish Water's unique role in supporting people, businesses, communities and the environment across Scotland to flourish, primarily through the provision of high-quality essential services. It reflects what they have already worked hard to do and want to continue to do – “build our customers' trust in us”.

They have set out three outcomes that they plan to achieve – that are fully aligned with their purpose, and the wider vision. These are:

- **Service excellence** – adapting to a changing climate, dealing with ageing assets, and meeting customers' evolving expectations.
- **Beyond net zero emissions** – showing leadership in mitigating climate change and enhancing Scotland's natural environment towards the 2040 target.
- **Great value and financial sustainability** - customers will receive great value, now and in the future, and SW will be financially sustainable.

These ambitions are interconnected – success will depend on achieving all three, not one or the other. Objectives, which will help work towards these ambitions, are shown in the diagram below.



In previous regulatory periods, they have operated successfully within the traditional regulatory framework of delivering clear commitments for an agreed level of funding. To meet the challenges and uncertainties of the future, they are embracing a demanding new regulatory approach (Ethical Based Regulation) that will enable them to prioritise and plan investment through a rigorous, dynamic and rolling process.

The strategic plan contains areas that SW will need to transform as well as those that will need continual improvement. Key areas that they will transform include:

- Eliminating the net emissions associated with activities,
- The approach to investment planning and the long term management of assets,
- The robustness of water supply systems,
- The management of surface water,
- Embracing the circular economy,
- Activities whose cost can be transformed through simplification and technology, and
- The way in which their people and supply chain partners work to deliver services.

SW is in the second year of an ambitious enterprise-wide transformation to achieve the objectives set out in its strategic plan. In addition, SW will continue to innovate and improve activities including how they deliver water and waste water services, the quality of service that is provided to customers, support for new housing development and economic growth, and the efficiency of all activities.

Changing Regulatory Context

Historically, Scottish Water focused on near-term investment needs – meeting European legislation, driving efficiency in operating costs, and further improving customer service. This focus allowed them to provide an effective, efficient, and trusted service for their customers today, but may have set an expectation that they can continue to enhance service levels whilst keeping price rises below the rate of inflation, making a move to an above inflation price trajectory more difficult. From this current platform of improvement and strong performance, however, they are now seeking to ensure the long-term sustainability of the asset base in Scotland, focusing on setting the right levels of asset maintenance and replacement, as well as addressing the need for climate change adaptation and mitigation. They will need to do this within the context of understanding and discussing the balance between what customers pay for the service today and the charge burden that they are storing up for future generations. They are the short-term custodians of an enduring long term asset base that needs to be fit for purpose both today and for future generations.

A new regulatory framework is enabling Scottish Water to take a longer-term view and take ownership / control of their own strategy. As they have built up the trust of stakeholders, customers, and communities, their regulatory environment has changed, with their regulatory control period increasing from four to six years. Prior to the current regulatory period, they had an agreed fixed Technical Expression, which specified what capital investment outputs needed to take place over the regulatory period, coupled with efficiency targets and expected improvements in performance and customer service. In the current regulatory period, they have moved towards

a more dynamic and flexible regulatory environment using **ethical based practices** with a six-year rolling investment programme and a new investment prioritisation framework.

The Final Determination (FD) for 2021-2027, their financial frame, also marks a fundamental shift in how they charge their current customers for future investments. Traditionally, customer charges in any regulatory period reflected forecast cash costs for required investments into their assets ('pay-as-you-go' principle). This approach implicitly undercharges current customers by passing on replacement costs for the aging asset base to future generations. From an economic perspective, it is also inefficient, as it is expected to lead to higher overall repair and replacement costs if asset replacement is deferred for too long. In the current FD, Scottish Water agreed with the Water Industry Commission for Scotland (WICS) to start the transition towards charging customers at a level that considers asset replacement needs beyond the regulatory period. **This is a foundational shift in the regulatory and strategic approach, and unique in the water industry.**

They are undergoing a significant transformation in how they make sustainable investment decisions – building on their strengths of delivering a predetermined plan, they now also need the capability to proactively create and maintain their long-term business and investment strategy. They recognise the substantial work needed to build the investment strategy, particularly around enhancing their strategic analytical capabilities to be able to assess the demand and financial implications of the strategy. They are now in the process of building the required capabilities (structure, processes and people) and will implement a training and recruitment plan to close the gaps.

The investment strategy will ensure that their near-term decisions to provide high-quality service to customers today are aligned to the long-term (2045) aspirations of the Water Sector Vision. It will also help them prioritise their available resources to tackle their biggest challenges, such as the aging asset base, net zero and climate change, as well as make sufficient progress in the minimisation of public health and environmental risks. They will be able to shape the future direction for Scottish Water by forming a deep understanding of the customers' and community demands. It will enable them to take conscious decisions around near-term and long-term decisions by:

- **Providing a baseline set of explicit, quantified strategic outcomes (ranges) for 2045** including demand/cost, carbon footprint, interdependencies, and recognising uncertainties, with clear trackable rates of progress to achieve these outcomes
- **Providing transparent, well documented underpinning analysis and assumptions** that can be continuously checked and refined, especially in today's volatile macroeconomic environment
- **Giving clarity around trade-offs** taken in the baseline investment strategies – i.e., what is not included as much as what is included in their strategy.

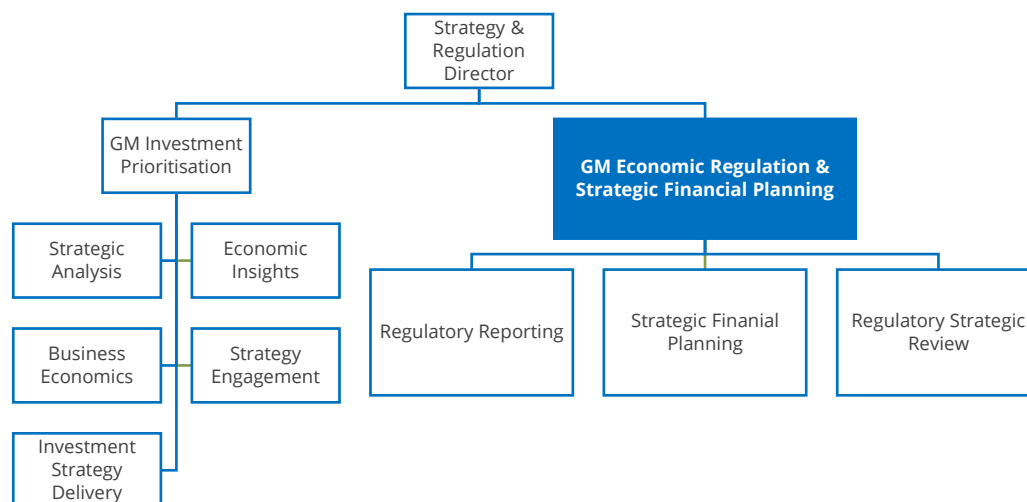
The role

This is a unique and stimulating opportunity to shape Ethical Based Regulation (EBR) in the water sector and establish how this will work in practice. A positive and collaborative working relationship with WICS is essential to securing Scottish Water's funding needs - in excess of £50bn over 25 years.

Role Purpose

The **General Manager, Economic Regulation and Strategic Financial Planning** will be responsible for the relationship with Scottish Water's economic regulator (WICS) on an Ethical Based Regulation (EBR) basis including: development of regulatory settlements; development and production of regulatory reporting to WICS; development of Scottish Water's 25 year strategic financial plans.

Role Structure



Key accountabilities

- Develop the relationship with WICS to build and maintain trust and confidence.
- Lead the development and own the delivery of regulatory reporting to WICS so that SR21 is "regulatable" on an EBR basis.
- Lead the development of the SR27 regulatory settlement on behalf of Scottish Water.
- Lead the financial/funding workstream for long term (25 year) strategic planning.

Leadership:

This is a key leadership role requiring different aspects of leadership:

- Direct leadership of small teams in strategic planning, regulatory reporting and SR27 development
- Setting the "exam questions" and coordinating activity by Scottish Water colleagues across and between numerous functions
- Lead the development of strategic financial plans, regulatory settlements and regulatory reporting

- As we develop our capability, take over as the “thought leaders” on strategic financial planning from WICS
- As such, it will be essential to earn the trust and respect of colleagues and stakeholders

Monitor and Manage Performance:

Part of the role will be responsibility for regulatory reporting to WICS under Ethical Based Regulation (EBR). This will involve brokering agreement of the formats, frequency and granularity of detailed reports from Scottish Water to WICS, between WICS and Scottish Water colleagues. The aim would be to align, as far as possible, the information produced and used by SW to run the business and the information required and used by WICS to regulate Scottish Water, such that regulatory reporting does not feel like an additional burden on the business.

A key part of the role will be to coordinate Scottish Water colleagues to produce the data and information required for WICS, to acceptable standards and deadlines, perform a rigorous quality control review, test consistency and synthesise and interpret the data into useful, actionable information for WICS.

WICS talk about the “asymmetry of data” between WICS and Scottish Water. They expect to be able to ask a question, receive the answer and for Scottish Water to say: “the question you should have asked is and the answer is”. That is a key part of this role – to put yourself in the shoes of WICS and work out what’s behind the questions and how SW can help to inform WICS so that SW and WICS are both aligned in progressing towards the industry vision for the benefit of our customers. WICS wants to help SW, but needs SW to prove the funding required.

Delivering Financial Strategy:

A significant part of the role will be development of the finance/funding side of the long term (25 year) strategic plan.

This will involve:

- Development of the 25 year model with Financial Control colleagues (one model that Scottish Water and WICS both use);
- Researching and setting assumptions and inputs;
- Analysing and obtaining evidence in support of assumptions;
- Creatively testing “what if”;
- Setting and testing scenarios;
- Stress-testing the plan;
- Engaging and collaborating throughout with WICS;
- Integrated throughout with Strategic Investment Planning colleagues;
- Synthesising and reporting.

Another major part of the role will be leading the development of the next (SR27) regulatory settlement, which should be based on an extract of the first six years of the long-term plan, but at a much more granular level. This is a major project over four years involving significant coordination between Scottish Water colleagues, WICS and other stakeholders.

Over time, the aim would be that near term regulation can become more light touch, with the focus on the quality of Scottish Water’s long-term planning and analysis and how that translates

into the near term capital allocation and investment decision-making and associated stakeholder engagement. As such, the majority of the role will be focused on strategic financial planning.

Change Management

As EBR is a new and largely untested concept (in the water industry), there is a very high degree of change management involved. Much of what the role involves, at least in the early years, will be developing new analysis, models, capability and reports. Change management will be core to the success of this role. It will be important to reflect and learn regularly (with stakeholders) and make appropriate course corrections. Going forwards, WICS, Scottish Water and stakeholders will continually challenge Scottish Water to learn, change and improve.

Organisational Contribution

This is a key role in managing one of SW's critical stakeholders, WICS, who determine customer charges and therefore the whole basis of SW's funding and the scale and nature of SW's investment program, worth many £bn's. As such, a high-quality relationship between Scottish Water and WICS is essential, based on mutual trust and respect and balanced between challenge and support. Providing satisfactory analysis and evidence to support the investment required and access to data and reports so that WICS can opine on Scottish Water's decision-making and performance are key.

Key Deliverables in the next 12 months

1. Engage with WICS and Scottish Water teams to develop and agree changes to SW's regulatory reporting so that WICS become confident that Scottish Water performance in SR21 (and beyond) are "regulatable" ie SW performance can be assessed;
2. Engage with WICS and Scottish Water teams and other stakeholders on the methodology for SR27 and build the Scottish Water plan for developing the SR27 regulatory settlement, including the resources necessary;
3. Take the lead of the finance/funding workstream for the long-term strategic planning workstream. Working with the Strategic Investment Planning and Financial Control teams, deliver the progress required by the plan, including:
 - a. Ensure it is consistent with and will produce the outputs required for the SR27 regulatory settlement
 - b. Ensure it is aligned with the Strategic Investment Plan (assumptions, scenarios etc)
 - c. Develop the capability required – people, processes and tools/systems/models
 - d. Deliver V1.0 of the long-term strategic plan

Key Responsibilities and experience:

People Management Responsibilities	Direct responsibility for 3 managers and 15 – 20 staff
Budget Responsibilities	Direct responsibility for a relatively small budget of a few £ms. A key part of the role is leading the relationship with WICS and developing (with colleagues) (and agreeing) near term and long-term plans that will secure all of Scottish Water’s required funding. This requires the production of evidence of the costs SW will incur and the outcomes that will deliver for customers and various options and iterations thereof.
Decision Making Responsibilities	Responsible for: <ul style="list-style-type: none"> • defining the strategic funding and economic regulation exam questions and decisions that Scottish Water and stakeholders will need to make; • developing the information and options to inform those decisions; • brokering agreement between Scottish Water and stakeholders on those decisions. This involves working at various different levels within Scottish Water including Business Manager, General Manager, Executive Leadership Team and Board levels.
Key External Relationships (See Appendix 2 – The Water Industry in Scotland)	Primary external stakeholder relationships are: <ul style="list-style-type: none"> • WICS • Scottish Government There will also be important relationships with: <ul style="list-style-type: none"> • Independent Customer Group • Consumer Scotland • Scottish Environmental Protection Agency • Drinking Water Quality Regulator

Person Specification

Candidates will ideally bring all or most of the following:

Experience, Skills and Knowledge:

- Economics or Accountancy background;
- Experienced in economic regulation at a senior level;
- Deep understanding of regulatory finances;
- Expert analysis, financial modelling, synthesis, report writing skills;
- Stakeholder key account management and influencing skills;
- Well organised and disciplined for planning and coordination of activities between internal and external teams;
- Able to maintain a steady course but flexible to respond to valid stakeholder inputs along the way.

Attributes and behaviours:

- Highly articulate, demonstrating intellect and gravitas;
- Strong collaborative preference;
- High level of adaptive intelligence;
- Curious mind and creative win/win problem solver;
- Internal and external negotiation skills;
- High personal resilience;
- Agility to work in an environment where the boundaries can be blurred or shifting .



Terms of appointment

Full-time contractual hours are 37.5 hours per week; Monday to Friday – although alternative working patterns will be considered. The post holder is required to work such reasonable additional hours as the needs of the post demands, which includes attendance at evening or weekend meetings when necessary.

Salary: This will reflect the seniority of the role and will depend on skills and experience.

Car allowance: £7,920 pa

Annual bonus potential: 20%

Holiday entitlement: 38 days pa (34 + four public holidays)

Pension: the post holder will be automatically enrolled into the Local Government

Pension Scheme – a career average scheme where employee contributes c.10% and employer c.18-20% (as at Jan 2023).

Hybrid working is a reality at Scottish Water, and the post holder will split their time between working from home and attending meetings at offices in Edinburgh, Glasgow and Stirling (WICS) in the main. However, in line with Scottish Water's purpose 'to support a flourishing Scotland', all employees must pay income tax in Scotland. Therefore, it is essential that the post holder has a principal residence in Scotland for tax purposes; or is prepared to establish such a residence. Relocation assistance may be considered.

How to apply

Saxton Bampfylde Ltd is acting as an employment agency advisor to Scottish Water on this appointment.

Candidates should apply for this role through our website at www.saxbam.com/appointments using code **ABGVB**.

Click on the 'apply' button and follow the instructions to upload a CV and cover letter, and complete the online equal opportunities monitoring* form.

The closing date for applications is noon on **6th February 2023**.

* The equal opportunities monitoring online form will not be shared with anyone involved in assessing your application. Please complete as part of the application process.

Appendix 1 –

Scottish Water - Key Facts and Figures

Scottish Water serves 97% of the population and looks after Scotland's most precious resource.

Founded in 2002, Scottish Water is a public corporation that provides water and wastewater services to households and business customers in Scotland. The company has approximately 5 million customers in homes and businesses across Scotland covering an area of 30,410 square miles (1/3 of the UK land mass). The company has a strong customer service ethos and is one of the most highly rated UK utilities by its customers.

Scottish Water also acts as the wholesaler of water and wastewater services through subsidiaries in the competitive market for business customers in Scotland. It also provides non-regulated services to customers through its subsidiary, Scottish Water Horizons.

In FY 2021/22 the company received c. £1.3bn in customer charges.

As one of the world's largest water companies, every day Scottish Water:

- Delivers 1.53 billion litres of clear, fresh drinking water and;
- Removes 1.08 billion litres of waste water which is treated, has resources recovered and is then returned safely to the environment;
- Supports 2.57 million households and 152,916 business premises across Scotland.



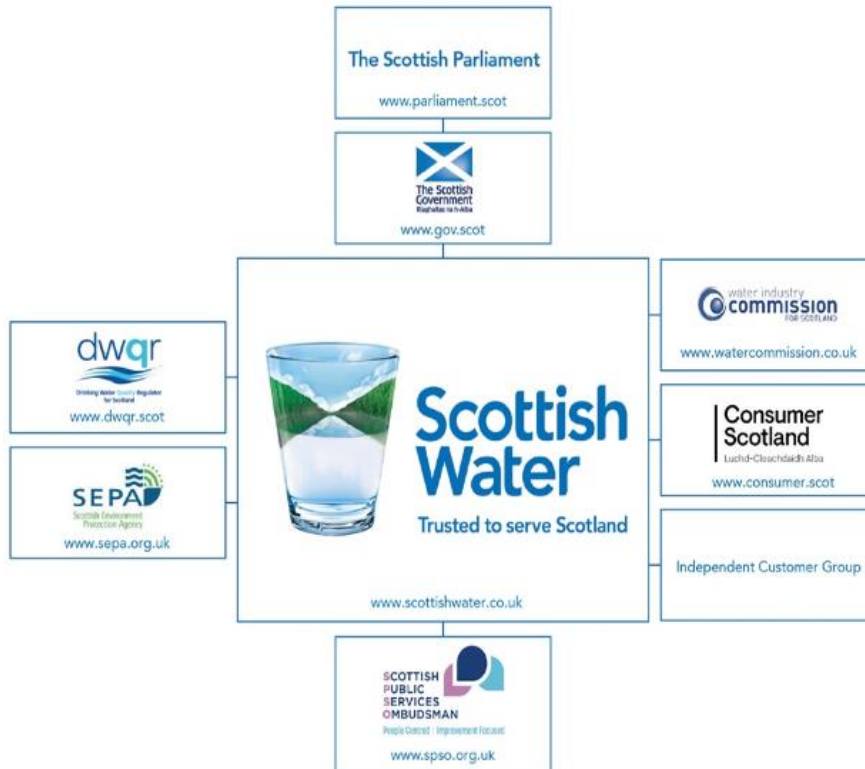
Investment in Infrastructure:

Scottish Water is a long-term business where the assets and infrastructure to provide its vital services can last for decades or even centuries, and customers depend upon these services throughout their lifetime. As such Scottish Water have worked with stakeholders to develop its long-term strategic plan, to meet customers' expectations, regulatory requirements, deliver Scottish Ministers' objectives and play a leading role in achieving Scotland's ambitious Water Sector Vision.

Over the six-year period from 2015-21 (SR15), Scottish Water invested £3.7bn. In 2021/22, the first year of the 2021-27 regulatory period (SR21), they invested £800m and this will increase further over the coming years.

Appendix 2 –

The Water Industry in Scotland



- **The Scottish Parliament** - Holds Scottish Water and Ministers to account and regularly calls executives to its committees to give progress updates.
- **Scottish Ministers** - Set the objectives for Scottish Water and appoint the Chair and Non-executive Members.
- **Scottish Water** - Responsible for providing water and wastewater services to household customers and wholesale Licensed Providers. Delivers the investment priorities of the Scottish Ministers within the funding allowed by the Water Industry Commission for Scotland.
- **Water Industry Commission for Scotland (WICS)** - Economic regulator. Sets customer charges and reports on costs and performance.
- **Drinking Water Quality Regulator (DWQR)**- Responsible for protecting public health by ensuring compliance with drinking water quality regulations.
- **Scottish Environment Protection Agency (SEPA)** - Responsible for environmental protection and improvement.
- **Scottish Public Services Ombudsman** - Responsible for investigating complaints about public services in Scotland, including Scottish Water.
- **Citizens Advice Scotland (CAS)** - A statutory organisation that campaigns for a fair deal for Scottish consumers and assists with policy development.
- **Independent Customer Group** – a Scottish Water created group which ensures the needs and expectations of Scottish Water’s customers and communities are identified, articulated, and advanced. Reports to the Chair.

