



Supporting document

# Deliverability and supply chain



## Executive summary

The report outlines the key changes that SWW are employing, building on our experiences from AMP7 to shape our future delivery model and its guiding principles that will enable us to achieve our PR24 programme and AMP8 ambitions.

Deliverability is the key consideration in the development of our business plan and the subsequent investment over AMP8 and the next 25 years, will see the largest environmental programmes we have delivered since the clean sweep programme. It is important that the way we deliver our programme is constantly assessing opportunities to reduce cost whilst delivering value for our customers with sustainable environmental outcomes. It is essential that we get the right balance between quality, cost and sustainability whilst delivering the benefits and programme with momentum, pace, and agility.

We have also recognised that we had to learn from the issues experienced in the delivery of the AMP7 programmes that we needed to re-organise internally, capitalising on the integration with Bristol Water. To support this, we engaged sector leading consultants (specialists in procurement and supply chain) to conduct an independent assessment of our delivery model who identified improvement opportunities informed by widespread and extensive industry engagement.

Having recognised the need to change, our engagement has covered the breadth of our industry from suppliers to potential delivery partners and to organisations such as British Water, Future Water, and the Civil Engineering Contractors Association South West. Their feedback and support were an integral part in our business transformation programme, and the development of our delivery model for AMP8 and beyond and what we believe will be the best delivery model in our industry.

With our delivery model established we required partners to deliver, and we have positioned our contracts to enable and encourage reinvestment in our region. Our procurement strategy is already well advanced with the appointments of our consultants and Tier 1 contractors concluded and our Tier 2 and Tier 3 appointments commencing shortly. We will have our delivery partners appointed and preparing the transition to AMP8 by March 2024.

Supporting our partners will be a 'best fit' route to delivery runways, with work package allocations to each runway, based on the type of work, value and complexity. Ensuring we provide our partners with a greater visibility of programmes by providing them with volume certainty, and the ability to effectively plan and manage resource requirements and enabling

reduction in cost through economies of scale and continuity.

Our vision is that we will have a fully integrated supply chain where we co-design, innovate, contract, and deliver in a collaborative environment. Co-located with our partners, and with a collective approach to problem solving, to co-create value as a single delivery community. Enhancing our Nature Based capability by bringing many of our Upstream Thinking partners into the delivery model to support the development of best value nature-based solutions. We are also increasing our capability and business process to look for opportunities to co-develop and co-create solutions with 3rd parties whilst maintaining our pace and agility to ensure the solutions are both best value and delivered on time.

Supported by our expanded delivery support services and our enhanced Asset Management team, with internal modelling capability we are continuing to grow our energy and carbon function to ensure we are seizing every opportunity to reduce carbon emissions whilst remaining on track to meet our "Promise to the Planet."

As one of the largest companies in our region with a mature and resilient supply chain that has its roots in partnering, we have also focused on the development of regional resources for the delivery of our model.

In building our capital programme for AMP8 we have utilised external specialists to assist us in identifying the required construction workforce necessary to deliver our plan and the impact on the wider south west.

The impact of our programme over AMP8 effectively doubles the capital delivery workforce over the five-year period and we envisage this will be sustained until at least 2040, enabling local resources to be developed, creating long term resilience for the future of our region, through apprenticeships, a strong graduate programme, provision of social value, training, and development opportunities whilst working with charities that support local communities and the educational sectors in STEM, which all our delivery partners fully endorse and support.

Focusing on supporting the development of both existing and future skill requirements here in the South West and together with the wider benefits as a result of our AMP8 capital programme across our region as a result of the FTE equivalent multiplier effect and the generation of circa 24,500 jobs being created across the wider regional economy demonstrate our commitment to our communities, environment and economy in which we operate that we are creating a better future for everybody.

# Model Development and Engagement

In this section, the model development and engagement will be described through explaining our learning from the past and our mobilised experience; Industry engagement and awards; supply chain engagement; research and development and the principles of the delivery model.

## Learning from the past and mobilised experience

Deliverability is a key consideration in the development of our business plan as this will be the largest environmental programme we will have delivered since the Clean Sweep programme. It is important that the way we implement the programme looks for opportunities to reduce cost whilst delivering value for customers and sustainable environmental outcomes. It is essential that we get the right balance between quality, cost and sustainability whilst delivering the benefits with momentum and pace.

We also recognise that we need to learn from a number of challenges in our capital delivery model during AMP7, including the financial failure of a major capital delivery partner, by taking the opportunity of implementing an independent assessment of our delivery model by an internationally recognised procurement specialist to support the Engineering Directorate by designing and implementing a new capital delivery partner model for the remainder of AMP7 and moving forward into AMP8 and beyond.

The aim to create the optimum model, learning lessons from the H50 Alliance and other sector alliance models.

Undertaken at ‘sprint’ with a rapid discovery phase, reviewing the existing framework agreements our specialist conducted a series of interviews with key stakeholders (Figure 1). The objective was to acquire a high-level view of the current situation to identify current challenges and issues with our existing model and test “what success would look like” for a range of key stakeholders.

The initial report summarised the key themes emerging from the stakeholder interviews & documentation review, looking at sector and market trends, and setting out a high-level plan and approach to implementing a new ‘high performing’ delivery model.

With the water sector adopting a myriad of capital delivery models, with differing degrees of success our specialist utilised market engagement sessions to evaluate options and determine best fit for us and our supply chain. This would ensure we understood the market perception of our business and the appetite for a new delivery model.

Building on these observations the programme moved into an 8 week “deep dive” optioneering and development phase.

The output of this phase comprised a full recommendation report for our Board, with options, recommendations and a detailed execution plan and change programme.

The key recommendations from the review were:

- Develop a more programme focused way of working, providing partners with greater visibility of a pipeline of works batched as programmes vs individual projects.
- Expanding our resources to accelerate client-side design support, enabling the shift to enhance our intelligent client model.



Figure 1: Sprint and Stakeholder Process

- Run a procurement event to source new partners and transition to a refined operating model by April 2024.
- Evolve the current commercial model to maximise attractiveness of our delivery model in the market.
- Develop a delivery runway model split by complexity, value, and volume which would offer us greater efficiency, resilience, and flexibility in the delivery of the capital programme.

The following actions were implemented to address these recommendations:

- Supplier Days held with incumbent supply chain to share remaining AMP7 pipeline and brief on indicative direction of travel of our delivery model and procurement plans.
- Open Supplier events hosted – ‘Meet the Client and our Model.’
- Internal stakeholder engagement.
- Detailed project plan developed to support the procurement of the new framework agreements for Capital Delivery works.

**Changes to our commercial model included:**

- **Inflation Indexation:** Agreeing appropriate terms and indices for the term of the framework, considering the current inflationary market.
- **Direct Incentivisation:** Implementing an incentivisation mechanism in line with current best market practices.
- **Commercial Terms & Conditions:** Amended to ensure in line with current best market practices.
- **Longer Duration Frameworks:** Offering a minimum of 5 years contract length with options to extend up to 10 years depending on performance.

Capital Delivery Model would also consist of the ‘best fit’ route to market delivery runways, with work package allocations to each runway, as follows:

- **Runway 0 – Reactive** – high volume, low value.
- **Runway 1 – Other Capital Maintenance** – low complexity, low value, high volume with packages.
- **Runway 2 – Complex works / programmes:** Requiring a higher Design and Build capability in the delivery partners.
- **Runway 3 – Major projects:** Single discrete schemes via standalone procurement events to maximise competition and design innovation from major Tier 1 delivery partners.

Supporting our delivery model requires the right behaviour and the quality of our execution is just as important. Which we will assess our maturity against six main value levers that we believe successful models demonstrate (Figure 2).

**Figure 2: Strategic Framework**



Value Levers	Description
<b>Commitment</b>	Commit work volumes to the supply-chain to secure resources, foster loyalty and encourage investment.
<b>Continuity</b>	Provide continuous pipeline of work to enable better utilisation of resources; better productivity; improved skills development (apprentice / graduate schemes); improved safety & sustainability
<b>Collaboration</b>	Engage key suppliers early in the design and planning cycle – close collaboration to drive out cost and maximise efficiency of scheme program
<b>Capability &amp; Capacity</b>	Build a robust supply chain and SWW with demonstrable capability and capacity to fulfil all the Clients requirements – increase knowledge of subcontractors to proactively develop capacity and capability over time
<b>Commercial</b>	Ensure commercial behaviours support collaboration strategy – developing trust, but “strong but fair”. Ensure efficient processes and effective controls
<b>Continuous Improvement</b>	Implement a formal Performance Management framework – focus joint-efforts to drive improvements in areas that make the highest impact on quality outputs

Having recognised the need to change we have ‘listened’ and ‘acted’ upon the feedback and we now passionately believe that we have the best delivery model in the industry. We have ensured that risks of resilience, resource, and capacity are appropriately managed, and that competition can be maintained in our supply chain to drive efficient delivery of the capital programmes enabling engagement with partners ranging from small and medium local enterprises to international top tier partners.

Our enhanced intelligent client model (Figure 3) and new ways of working will ensure we provide our partners with a greater visibility of programmes providing a far more attractive proposition for suppliers by providing them with volume certainty, the ability to effectively plan and manage resource requirements and enabling reduction in cost through economies of scale and continuity. Whilst our delivery runway model split by complexity, value and volume supports our approach of ensuring the ‘best

The effect of this ongoing transformation can already be seen in Figure 4, as our capital delivery has already ramped up over the first three years of AMP7 at £203m, £279m and £354m, respectively. This included significant increases in enhancement expenditure and continued expenditure to deliver service improvements to customers which sits outside of enhancement investment.



Figure 3: SWW Intelligent Client Model

We recognise that the AMP8 investment represents a further step-change in the overall capital programme. Our investment for 2023/24 of c.£420m already represents the successful doubling of investment from AMP6 – demonstrating our confidence that we can deliver our planned investment for customers, communities, and the environment.

In addition, the profile for the remainder of AMP 7, gives scope for us to deliver early AMP 8 investment through transition expenditure as part of the PR24 business plan.

Our confidence in expediting our business plan is underpinned by our AMP 8 delivery plan. We were one of

athlete for the job’ It also ensures we are expediting project governance to enable delivery at pace, in-step with our transition to AMP8, and in the spirit of an a fully integrated delivery model.

With our delivery partners embedded at every stage; from assisting with the definition of the problem statement, to accelerating optioneering in the Concept Team through to delivery of buildable solutions, and post project reviews.

We are ‘In Business’ and ‘Turbo Boosting’ our teams and partners to ensure we hit the ground running for AMP8 and to enable this step change in delivery.

### PR24 Programme and Deliverability

We know it is essential to be ready to deliver the AMP8 capital programme, with a sustained delivery operation which provides an enduring platform onwards. As the step change in AMP8 investment became clear, our transition to the AMP8 delivery model commenced. We established our substantial transformation programme in 2022 and this is now well advanced. Our delivery model has been informed by widespread and extensive industry engagement and is founded upon many years of successful delivery.

the first to go to the market to secure our partners directly off the back of significant industry and supply chain engagement and have benefited from doing so. The field of prospective bidders participating in our procurement process was incredibly strong in a market where suppliers can pick and choose who they target.



Recognising the buoyancy of the construction market, the engagement ahead of the procurement process has enabled us to shape our delivery model, approach, and procurement to attract the key industry players.

Our procurement process focused on the elements that really matter with a value-based evaluation weighted to the qualitative assessment over the pure commercials to ensure the best outcome. The success of this has been strongly reflected in our prospective bidders, attracting all the key industry players into the process, and submitting tenders.

Consultant partners, three of which are new to us, were appointed in July 2023 covering three key lots on a 5 year plus 5-year basis.

Lot	Description	Appointees
1	Programme & Project Management	Long O'Donnell Stantec Turner & Townsend
2	Cost Management	AECOM ChandlerKBS Turner & Townsend
3	Multi-Disciplinary Services	AECOM Arcadis Pell Frischmann Stantec WSP

Our consultants have now mobilised and progressing on schemes as part of our 'transition funding' in preparing 'no regret' projects a year ahead of AMP8.

The selection process of our main tier 1 delivery partners is also well-advanced with the Board approving the appointment of 6 delivery partners at the end of September 2023. Mobilisation will commence the second week of October 2023 on our transition programme, with actual construction anticipated to commence during Q4, Year 4 of AMP7.

The successful partners all hold "open frameworks" across the other non-infra and infra lots, providing flexibility and resilience to undertake regional programmes of work, holding mini-competitions and support workloads across our entire region (Figure 5).

**Figure 5: Our Regional Coverage**



Given the pressure on resources and to mobilise the greatest range of talent we have chosen to diversify our supply chain across the following lots with awards being made to discrete Tier 1 Delivery Partners on 5 years plus 5 years basis, as illustrated in Figure 6.

**Figure 6: Tier 1 Regional Allocation**

Wastewater Non-Infrastructure	Devon	1 x Tier 1 Delivery Partner
Clean Water Non-Infrastructure	Devon/Bournemouth/Bristol	1 x Tier 1 Delivery Partner
Wastewater Non-Infrastructure	Cornwall/Isles of Scilly	1 x Tier 1 Delivery Partner
Clean Water Non-Infrastructure	Cornwall/Isles of Scilly	1 x Tier 1 Delivery Partner
Infrastructure	Devon/Bournemouth/Bristol	1 x Tier 1 Delivery Partner
Infrastructure	Cornwall/Isles of Scilly	1 x Tier 1 Delivery Partner

In our market engagement the anticipated size of the lots were shared and our AMP8 programme remains aligned with this size and scale.

One of the key criteria in the selection process was the ability to resource the programme with particular focus on deployable regional resources. This is supplemented by our ongoing engagement and support from the Civil Engineering Contractors Association South West (CECA) and British Water who have both commended our model and approach.

Key sources of deployable resource from concluding regional programmes, accessible by our current bidders and partners, include: A303 upgrade at Sparkford to Ilchester, A30 works in Cornwall, Devonport Naval Base works, local highways frameworks and Hinckley Point C construction winding down through AMP8 from 25,000 construction personal to 10% of this number on an enduring basis.

Programmes are already underway within our supply chain to redirect and retrain these resources ready for our substantial regional water programme. This is welcomed by the regional construction industry thus retaining the resources in the Greater South West.

The foregoing resources supplements our existing supply chain at both a Tier 1 level and wider Tier 2 and 3 levels which has already seen our annual capital significantly ramp up since the start of AMP7, demonstrating our ability to scale up delivery.

With the appointment of our Tier 1 partners, our next phase in our delivery model is enhancing our wider Tier 2 and 3 supply chain with a procurement process commencing in the Autumn of 2023 with appointments scheduled to be completed by March 2024.

Supplementing our strategic tier 1, 2 and 3 partners, specialist partners focused on systems thinking, leading nature-based solutions targeting the root causes. This is further accelerated by our pioneering new research Centre for Resilience in Environment, Water and Waste (CREWW) established with the University of Exeter where we are researching some of the most important challenges faced by the water sector and our customers today.

Our vision for AMP8 and beyond is to have a fully integrated supply chain for the delivery for South West Water's Capital Programme where we co-design, innovate, contract, and deliver in a collaborative environment. Co-located with our partners as a fully integrated delivery organisation, identifiable by our partnership brand, with a collective approach to problem solving, to co-create value as single delivery community.

Due to the scale and complexity of AMP8, and the opportunity to deliver an accelerated programme, we have already initiated our transformation programme by building upon the success of our H50 Alliance, to create what believe is a 'best in class' delivery model.

## Operational Support and Readiness

In a parallel with the engineering transformation within our capital delivery operation a wider transformation is underway within the operating business.

This includes programmes of work that span into capital delivery aligning teams much closer together with clear roles and responsibilities that enable a much smoother, collaborative approach to design, construction and commissioning new works into operation.

## Industry Engagement

In our preparation for transitioning to AMP8 as part of our industry and stakeholder engagement, the support of organisations that represent civil engineering, consultants, specialist contractors, and the wider supply chain was a key part of our process. Ensuring our model and our programme for AMP8 were articulated and the opportunities to be part of what will be the largest transformation programme for the **Greater South West recognised**.

Our engagement with Civil Engineering Contractors Association South West (CECA) re: Resourcing in the context of Major Infrastructure delivery in the southwest involved raising the awareness whilst enabling members to prepare for the forthcoming journey that we will share together.

*"The response from CECA members have been extremely positive and I am confident that there will be sufficient capacity within the indigenous supply chain to deliver your AMP8 business plan. This applies equally to the major contractors and the SME companies established in the Southwest."* – Paul Santer, Regional Director at the Civil Engineering Contractors Association (Southwest)

Whilst discussions with Lila Thompson – Chief Executive Officer of British Water drew the following response to our model and our approaches to supplier chain engagement and innovation.

*"We also discussed the range of challenges that supply chain companies continue to experience. This included how important it is that Pennon continues to improve the visibility of its project pipelines and ensures consistent delivery timeframes with adaptable procurement processes that are fit for purpose. It takes time for the supply chain to get staff ready to be deployed and instability will only mean that business critical decisions are deferred. It was encouraging to hear your response on these matters and your wish to increase collaboration as early as possible with the supply chain so that they can continue to explore opportunities to deliver new technologies and solutions and play a key part in the planning of your future delivery of water and wastewater services.*

*We agreed that there is much to do over AMP 8 to improve environmental performance, increase the rate of asset maintenance and renewal, enhance the roll out of digitalisation, ramp up the adoption and roll out of innovation, and attract and retain a diverse range of talent. With this in mind British Water is supportive of your approach for AMP 8 which will help bring key stakeholders together to strategise and deliver for the future."*

Our plans for AMP8 will involve a multitude of technologies and processes supported by specialist delivery partners and suppliers. Our engagement with the United Kingdom Society for Trenchless Technology involved raising the awareness of our programme and opportunities that would arise.

The support of utility owners is important to our members who represent the varied sectors of the supply chain and who strongly support South West Water in its future delivery programme. The response from UKSTT members is very positive and we are confident there will be plenty of support within the supply chain to deliver on your AMP8 Business Plan. – Ian Ramsay – Chairman of the United Kingdom for Trenchless Technology.

We cannot ignore the engineers of the future, over the past several years we have sponsored the Smallpeice Trust an educational charity that inspires young people to pursue careers in science and engineering through events and workshops. This engagement has grown and since 2019 we have supported through the Arkwright Engineering Scholarships awards to those who aspire to a career in engineering, computing and related areas of technical design.



Arkwright Scholarships

*South West Water is making an important contribution to the development and nurturing of local talent, and actively addressing the crucial skills pipeline required for the future of engineering.*

*South West Water's partnership exemplifies a commitment to inspiring and engaging young minds in the world of engineering and the water industry. A central theme throughout their funded initiatives is the emphasis on sustainability, resource management, and environmental awareness.*

*South West Water's provision of role model engineers to support the STEM Days and Arkwright Engineering Scholarship programmes further enhances the impact of their initiatives. Citing research from EngineeringUK, interactions with role models significantly influence young individuals' views of engineering. These interactions make careers in STEM fields more desirable and provide clear insights into the next steps towards pursuing such careers.*

*In conclusion, South West Water's dedication to education, collaboration, skills development, and diversity in engineering is commendable. Their support of our charitable programmes exemplifies their commitment to nurturing young talent and fostering innovation in the water industry and other STEM sectors. – James Pountney, Head of Corporate Partnership, The Smallpeice Trust (Incorporating Arkwright Engineering Scholarships).*

# Establishing Delivery through End-to-End life Cycle Management

South West Water is transforming its Asset Management and delivery through the establishment of a holistic delivery approach by setting in place, a consistent and coherent approach to targeting of appropriate asset intervention and delivery focussing on right first time.

Through the adoption of an integrated delivery approach from end to end we will enable our plan to be efficient and deliverable. It is important that the way we deliver our programme looks for opportunities to reduce cost while delivering value for customers and sustainable environmental outcomes with the right balance between solution (Totex), quality, cost, and sustainability.

Our end-to-end delivery model has been informed by widespread and extensive industry engagement and is founded on the adoption of successful models used in the delivery of capital projects. In addition, the move to this new delivery model will the create a lasting legacy in the south west with the of direct and indirect employment, skills, and talent for our industry and communities demonstrates the 5 pillars of transformation (Figure 7).

Our first pillar is development of a transparent and visible pipeline of work under “One version of the truth” from understanding our needs and their prioritisation to projects enabling communities, shareholders, regulators, and partners to see and plan for the execution of the work. This enables community engagement, upskilling and workforce planning, targeted innovation, and smooth, sustainable delivery. A programmatic approach is being used to unlock efficiency and improve deliverability.

Through clear visibility and the embedment of a programmatic approach which will support a larger AMP 8 programme in South West Water and the industry as a whole has never been as important and through consultation is support by British Water and the wider supply chain.

South West Water’s programmatic approach has commenced as part of our transition in preparation for AMP 8 to allow our construction partners to be on site early in the AMP period.

A key factor on ensuring our programme is embedded early is the transitional expenditure as this will allow the ramping up of the programme up during year 5 of AMP7 to achieve the run rate required to sustain AMP8 and deliver environmental benefits early.

## One Version of the Truth

Figure 7: The 5 Pillars of Transformation



## Intelligent Client: Concept Solutions Team

The second pillar is enhancing the intelligent client capability within South West Water through the creation of our Concept Solutions Team, this team will be supported and boosted further by global talent secured through our newly appointed consultant partners and early contractor involvement to allow us to understand industry best practice and innovative solutions to the outcomes required.

Following the understanding and prioritisation of needs, this team quickly assesses and moves projects and programmes through to a buildable and consistent solution. Through considering and challenging the latest innovations, promoting nature-based solutions, minimising embodied and the enduring carbon footprint whilst enabling the delivery of the required outcomes. At the heart of the delivery model the Concept Solutions Team accelerates learning and continuous improvement across the whole delivery operation and our technical standards.

## End to End Asset Lifecycle Management

Building our Asset Lifecycle capability is the third core pillar, in 2021, our Asset Management Maturity Assessment (AMMA) outlined the maturity of our asset management capability, highlighting areas of best practice.

Our AMMA was positively received, noting our systematic and consistent approach to valuation across all asset groups, incorporating a wide variety of elements (social, environmental, statutory), and using methods to include customer views and preferences in our valuation, deployed within well-established decision support tools and processes.

We know our strategic asset management is established. However, we recognise our focus needs to be on improving the line of sight between our strategic and tactical asset management practices (end to end asset lifecycle management), which will be achieved through an Asset Management Transformation programme which commenced in 2023. This programme will be promoting the optimum balance of operations, maintenance, and capital interventions to achieve the outcomes.

Founded in scoping and sponsoring opex and capex solutions within the plan, do, check, act, asset lifecycle. Continuously reviewing and optimising asset performance to maintain asset health and confidence in achievement of outcomes.

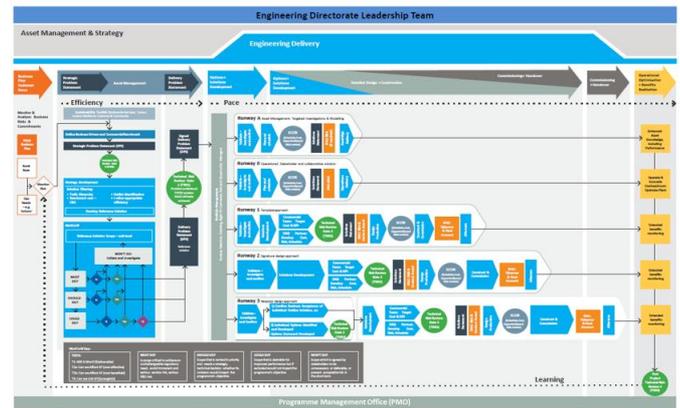
This pillar is boosted by our “best of both” approach following the acquisition of Bristol Water in 2021. Our Asset Management Transformation will form a centre of excellence for Asset Management at the heart of our business benefiting from the combined talent from across the group.

Supporting this pillar, we have enhanced our Project Management Office (PMO) capability. Part of our PMO is the Engineering Collaboration Hub Online (ECHO) Project delivery database that supports the prompting and capture of Technical Risk Review (TRR) gateways, as well as captures centrally project data for review and challenge.

- The Engineering Collaboration Hub Online (ECHO) – is a bespoke IT platform which has been developed in close collaboration with Information Services team within the new Microsoft SharePoint Online (SPOL) environment.
- It has been delivered to support and assure capital project governance through the Engineering AMP7 End-to-End (E2E) Delivery Process.
- ECHO content and workflows are provided to collect and track project management and technical information throughout the E2E delivery cycle from inception at TRR0 through development and delivery to Post Project Appraisal. Different Teams are accountable for completing the process and supporting content at different E2E process stages as illustrated in figure 8.

**Figure 8: End 2 End Process**

South West Water AMP7 Programme End to End Process  
Efficiency, Pace and Learning



## Organisational Capability and Capacity

To support our ambition the fourth pillar enhances and ramps up our organisational capability, with an 135% increase in talent by 2025. Founded on the best practice Association of Project Management principles this ensures we have the right process, systems, and talent to deliver.

Our Engineering Transformation programme has already commenced and a quarter of the required talent is already on board and further recruitment is in progress. This is further boosted by our graduate programme, with 13 graduates in our current engineering programme and a further 6 who joined in September 2023, unlocking a sustainable talent pipeline which will benefit the organisation and wider industry well into the future.

To allow synergies to be developed we have organised our teams by infrastructure type, geography, and runway (based on scale and complexity of programmes) as demonstrated in Figure 9. This has allowed us to align the ongoing programme and enabling focused leadership and management.

Our supply chain model, described below, aligns with this structure facilitating co-located, collaborative teams and a ‘best athlete’ for the job approach.

## Supply Chain Engagement & Delivery Partners

Our last pillar is focused on having the right supply chain partners mobilised and embedded to deliver our programme. As one of the largest companies in the southwest, a mature, resilient supply chain is already established.

Through consultation with industry bodies and the wider supply we presented our delivery model to market, which would:

- Provide long term sustainable partnerships.
- Instil & develop collaborative common goals.
- Ensure best value lean solutions.
- Provide a programme approach with visible pipelines of work.
- Co-located project managers and teams with engineering delivery to create hubs.

Our transformation is progressing at pace with the selection and appointment of our Professional Services Frameworks in July 2023, which is already delivering advantages to the business for the remainder of AMP7 and prepares us for the challenges of AMP8, for example:

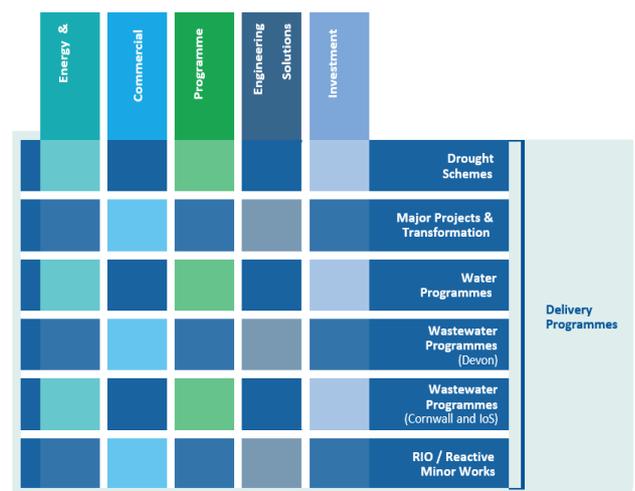
- Early market engagement has enabled engagement with the best delivery partners.
- A diverse supply chain from global consultants through national tier 1 delivery partners and local regional contractors provides a resilient model for delivery.
- A standardised approach to project delivery ensures the right partner for the task is used,
- Diversity enables us to access national and local talent for delivery.
- Transition expenditure to expedite our ‘early-start’ approach to delivering our AMP8 programme.

With our consultants now mobilised and working on our transitional programmes to enable on the ground delivery to commence during Q4, Year 4 of AMP7, a year ahead of AMP8.

Our second phase and the most meaningful change in our delivery given the pressure on resources, and to mobilise the greatest range of talent was the selection process of our main tier 1 delivery partners who will be joining us in October 2023.

The successful partners all hold “open frameworks” across the other lots that they bid proving flexibility to undertake regional programmes of work, hold mini competitions and support workloads across the full geography (Figure 10).

Figure 9: Engineering Delivery Model



With the appointment of our Tier 1 partners, our next phase in our delivery model is enhancing our wider Tier 2 and 3 supply chain with a procurement process commencing in the Autumn 2023 with appointments scheduled to be completed by March 2024.

Figure 10: Tier 1 Regional Allocation

Wastewater Non-Infrastructure	Devon	1 x Tier 1 Delivery Partner
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Wastewater Non-Infrastructure	Cornwall/Isles of Scilly	1 x Tier 1 Delivery Partner
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Infrastructure	Devon/Bournemouth/Bristol	1 x Tier 1 Delivery Partner
Infrastructure	Cornwall/Isles of Scilly	1 x Tier 1 Delivery Partner

Having initiated our transformation programme to build upon the success of our H50 Alliance, to create a best-in-class delivery model. We are supplementing our consultants and tier 1 delivery partners with well established, catchment based, local partners focused on systems thinking, leading nature-based solutions targeting the root causes. This is enhanced by our pioneering new research Centre for Resilience in Environment, Water and Waste (CREWW) established with the University of Exeter where we are researching some of the most important challenges faced by the water sector today.

## Co-Location and Collaboration

To support our ambitions around instilling our values and developing a great culture in our extended organisation, a new office is being created to support co-located personnel, which will improve transparency and collaboration between the various partners and organisations as there will be greater understanding of the processes and the way things work in practice.



*Estuary House - Exeter*

The Engineering Concept Solutions Team further promotes and enacts collaboration it is a “hub” that will be at the heart of engineering delivery, embedding best practice and repeatable design solutions across all our programmes, implementing innovation, and driving our Net Zero agenda. With our delivery partners already embedded in our head office, in and amongst the Engineering Directorate.

## Ingredients for Efficiency and Success

We are committed to implementing the right values, culture, and behaviours to fulfil commitments and deliver customer excellence.

### Safe and Customer Centric Focus

At the core of our values is the principal of ‘HomeSafe and well’ and it is our commitment to all our people and delivery partners, with the expectation that it flows through our extended supply chain to everyone who works on or engages with our assets and networks.

Robust health and safety (H&S) management is an integral part of all our daily operations. H&S management is embedded in our H&S Strategy - ‘HomeSafe’. This is made up of core elements – ‘Follow the Rules’, ‘Assess all Risks’, and ‘Taking Ownership’, all of which are essential in achieving our vision of ensuring that everyone goes ‘HomeSafe’ every day and preventing occupational ill-health. Our safety programme supports our internal teams and delivery partners push towards world class H&S performance.



This is underpinned by our ‘Take5’ approach where we encourage our teams and delivery partners to make positive decisions and take

positive actions to keep each other safe. We also have a commitment “if we cannot do it safely, we will not do it”, which aligns with Pennon Group’s commitment “we do it safely and responsibly or not at all”.

Our policies and procedures have been developed over 30 years, specifically for design and construction in the water industry. Our H&S policies are reviewed by our H&S experts and approved by our CEO. We ensure that all our procedures have been developed to ensure full compliance. Our H&S Executive Group ensures the development of our policies and procedures by monitoring employee and delivery partner compliance with our H&S Policy and our Company H&S Strategy. These set strategic direction to improve performance and compliance.

Our delivery model will ensure that we have a strong core H&S culture which moves with our teams and delivery partners from project to project and sets standards and behaviours for anyone who works on our sites. We ensure H&S is embedded within our frameworks by actively working with all our delivery partners to support our ambition, but also to share learnings and ‘best practice’ from within their businesses.

This initiative empowers individuals to demonstrate leadership, develop exemplary H&S practices, and make better choices for the safety of their teams and themselves. We regularly launch campaigns to ensure a strong H&S culture throughout MMB by rolling them out to all staff including our delivery partners. Other cultural and behavioural H&S initiatives that are rolled out to all staff, including our delivery partners, include:

- **Toolbox Talks** – Delivered on site & offices to identify areas of high risk to planned operations. Employees then sign to record their attendance and take a test to measure understanding.
- **Golden Rules** – Non-negotiable rules requiring full compliance by everyone, they are displayed around sites and briefed at induction. Everyone, including our delivery partners, subcontractors, suppliers, and visitors are responsible for making sure the rules are followed. Rules include always discussing health and safety at the daily briefings, and making sure pedestrian routes are used and maintained for example.
- **Supplier Workshops** – Communication and engagement with our supply chain is crucial to drive improvement. We operate supplier workshops, offering two-way feedback sessions to facilitate performance improvements.

Culture is the foundation that brings value to our IT tools and systems. We have a culture where reporting is encouraged and expected. All incidents, positive interventions and audits are ultimately recorded, whether they are entered directly, via our bespoke forms and apps on mobile devices or from paper cards that are also available on sites. We capture hours worked for employees and delivery partners. All delivery partners can also track and report H&S on contracts by logging their Key Performance Indicators through our online portal. Dashboards are then created that show positive interventions, incidents, near misses and the reporting to ensure compliance with the regulations covering injuries, diseases, and dangerous occurrences (RIDDORs), and these can be filtered to show performance by client, framework, or project and or programme. These can also present H&S lag and lead indicator data and provide our teams access to the right information at the right time. This enables the accurate reporting of H&S data each month, as required in the framework contract. Whilst our IT tools assist us in accurately reporting incidents to a member of our Management Team within 120 minutes of the incident occurring followed by the interim report within 2 days and the full incident report within 2 weeks.

The nature of our capital programme demands that strong health and safety management is at the core of our delivery model. By ensuring that our policies and procedures, cultural and behavioural initiatives and supporting IT systems are available to all parties, we can achieve our vision and keep employees, delivery partners and customers safe during delivery of our capital programme.

Stakeholder engagement is about knowing who our stakeholders are, understanding them and knowing how best to involve them in our projects and programmes. It involves taking into consideration the different interests and values stakeholders have and addressing them throughout. Engaging the right people in the right way can make a difference to our success and to the reputation of our business.

A robust stakeholder management approach for our business plan deliverables will consider the following:

- Involving stakeholders early to develop an understanding of their opinions and concerns which will help us shape our projects based on. Getting to them early makes it more likely that they will support our proposals as they will feel they have inputted and been involved.
- Working in collaboration, utilising resources, and expertise in our activity.
- Consistent and clear communication should ensure that affected parties will understand the benefits and can be trusted voices or third-party endorsers if needed.
- It helps raise the profile of the excellent work that South West Water does and some of our key policy areas.
- Stakeholders can function as a bridge to other organisations – giving us access to their existing communication channels.
- Stakeholders can assist in improving policy delivery whilst providing us with honest feedback.

Specific activity and planning stakeholder campaigns is important, but effective stakeholder management has no real beginning and end, and it is an ongoing activity built into our everyday work. We need to keep our stakeholders involved and informed about what is going on and we are committed to delivering excellence in customer service and community engagement.

Delivering our projects and programmes will require our stakeholder and customer engagement strategies to be tailored for the people, businesses and communities who may be affected by the decisions we make.

Our intention always is to build and maintain positive relationships with all key stakeholders, leading to a range of benefits, including improved planning and decision-making, better project outcomes, and reduced risks and issues.

We have acknowledged we need to rebuild trust with our customers. Providing an empathetic, tailored service that delivers extra care for those who need it is a core pillar in our strategy and will allow us to further engage with our customers via the appropriate media.

Providing excellent customer care in the delivery of projects and programmes is an ongoing journey and we will look for ways to continually challenge thinking, build on achievements and make progress.

We are going to move towards a more standardised approach to our work. We have considered the risk and complexity of our portfolio as we look to accelerate the delivery of our low complexity works and are currently trialling design by exception projects for improved time to site at reduced costs, enabling quicker delivery without compromising safety.

Our work to standardise design and specifications will continue in AMP8 and through to AMP9 and will contribute to our risk and value processes.

We have built a customer experience strategy as described in the addressing affordability and delivering for customers document and illustrated in Figure 11 that is focused on ensuring we provide this service at its heart.

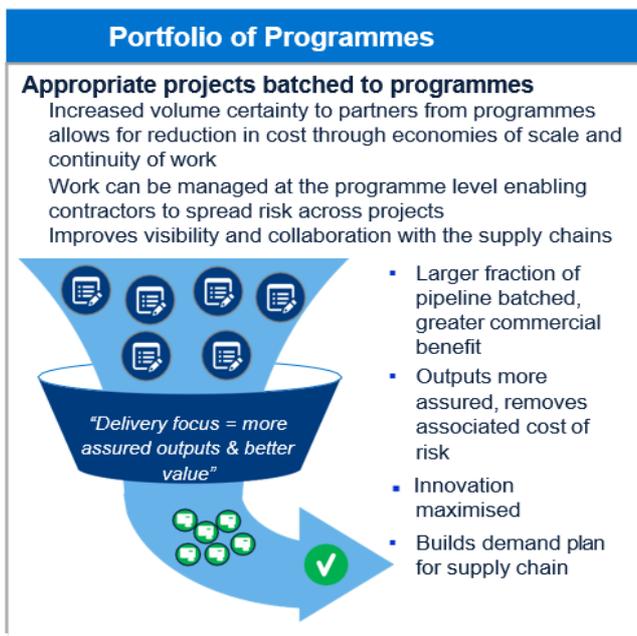
**Figure 11: Customer Strategy**



## Programmatic Approach

By creating a long-term delivery strategy/programme we are getting projects into delivery sooner, right from the point by which a problem statement is defined. This is further supported by accelerated design and cost through the introduction of the Concept Team. We are changing our governance approaches from projects to programmes, which enables the focus to shift to key issues and increase value (Figure 12).

Our programme strategy is operationalised into our business-as-usual processes, including our new monitoring and governance framework. As a provider of essential services, we are used to planning for the long-term and dealing with uncertainty. Our framework has however provided an additional tool to support our approach of planning holistically and adaptively across our business.



**Figure 12: Programme Approach**

Enhancing our approach has already delivered additional benefits in terms of its transparency for our stakeholders and our readiness to adapt quickly to new circumstances. To consolidate these gains, we are embedding our monitoring framework across our strategic planning teams, with accountability to our executive team and Board.

As a step change from AMP7 we will be providing our partners with a minimum of a 2 year look ahead visibility of program with the bulk of the programme to be let at the outset (50% of volume no regrets) with our approach acknowledge by Paul Santer (CECA) and Lila Thompson (British Water) page 8.

To ensure this strategy is delivered in a balanced and affordable way to customers and communities, we will be continuously monitoring and updating our analysis and plans to allow us to adapt where required. This will allow us to continue on the appropriate pathway to meet our targets.

As a business, we are developing, and reviewing our look ahead plans to enable us to provide continuity of work for our delivery partners; to ensure that they can maintain the long-term resources required for smooth delivery of our programme.

To support this, we are allocating as part of our transition expenditure significant elements at the start of the programme, on a no-regrets basis. Project work banks will also be developed to support delivery partners' and their supply chains, work engagement plans, resource planning, and development.

In support of this smoothing of delivery, we targeting to accelerate delivery dates as appropriate and based on their increasing maturity in asset management and systems thinking being applied at a process, network, and catchment level.

## Sustainable Contracts and Risk Allocation

Through AMP7 we have delivered significant efficiencies both in lowering our operating cost base and in delivering our capital programme in an innovative and efficient way which will continue to provide benefits through AMP8. Our delivery model enables a more effective approach to risk management, ensuring a clear understanding of ownership, impact, and the cost of transferring risks to the supply chain. This approach will also drive innovative approaches to solution development and liberate the culture to drive change.

In preparation for transitioning to AMP8 we have engaged with the market to understand how we incentivise investment in the water industry and securing the partners required to meet the demand.

Our extensive market research, which included supply chain surveys, 1-2-1 interviews and workshops.

Following the findings, we have implemented the following:

- longer frameworks to encourage investment in the region.
- simplified and fairer contractual terms, with a more equitable share of risk.
- better foresight of the programme; including a more "programmatic" approach to contracting; and
- A more agile and intelligent internal client capability.

To incentivise the industry, we have reviewed our commercial model to balance the appropriate pain/gain share between client and partner. We have extensively reviewed the clauses in our contracts to make them as simple as possible. Furthermore, we have engaged with the wider construction industry and listened to their feedback on how we protect the wider supply chain.

We have positioned our contracts so that they will encourage reinvestment in the sector, to ensure we as a business can rise to the challenge of AMP8. Integrated delivery models and alliancing are often challenged for lacking in commercial tension; so, we are aligning our framework partners by geography, principally Devon (Bournemouth and Bristol)) and Cornwall including the Isles of Scilly.

Our approach is to maintain the “best athlete” approach for the allocation of work but retain the option to compete elements of the programme through “mini competitions,” with the potential for suppliers to bid for work in the lot they are not aligned to.



There are several building blocks that together ensure we consistently deliver customer outcomes efficiently. This section summarises them in turn, but they are not sequential. All are all needed to meet our ambitions for truly cost-efficient solutions.

## Incentives

Our entire business has estimated the implications of our capital expenditure programme on our performance targets, known as ODIs (Outcome Delivery Incentives).

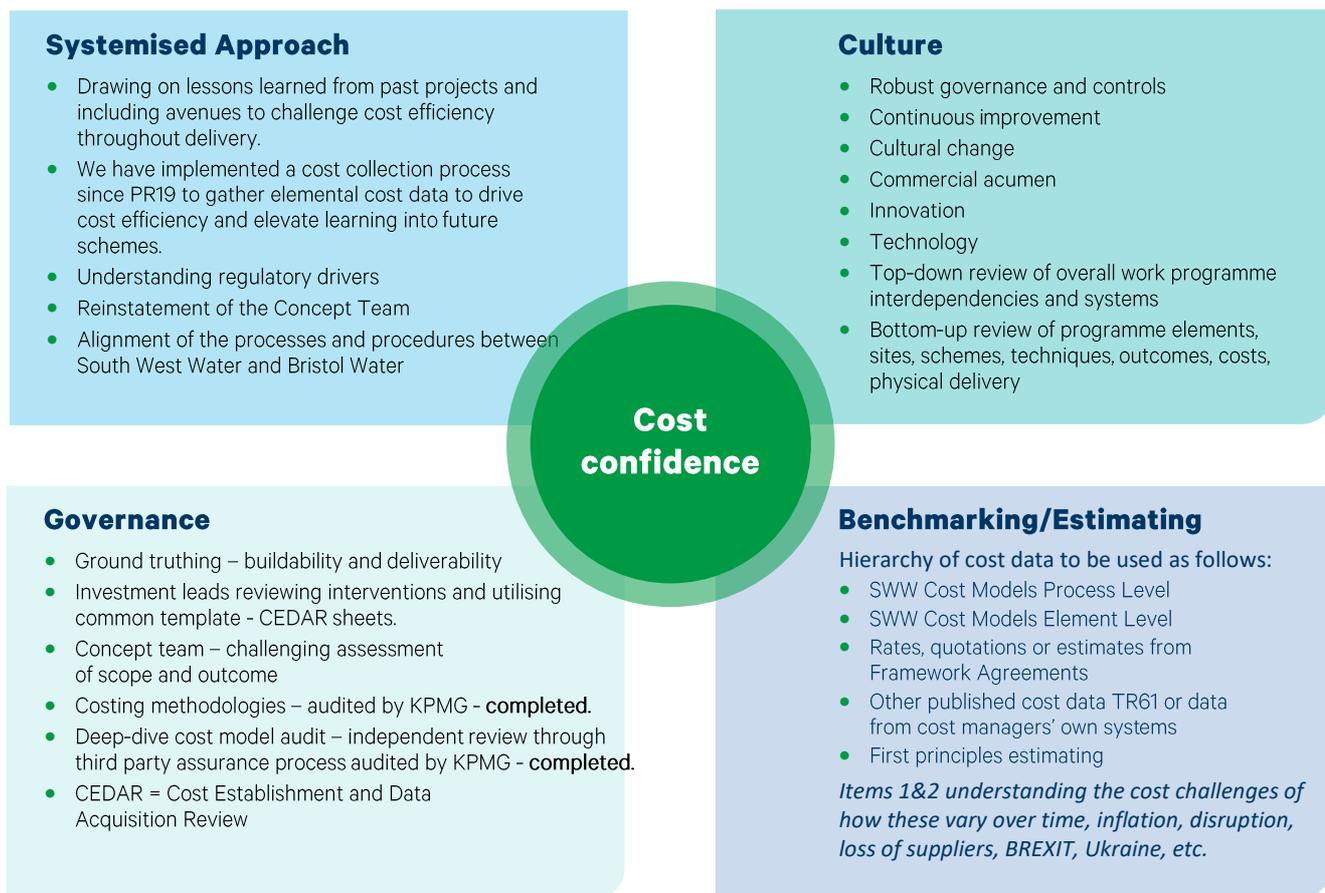
Further to this within the KPI's developed for our supply chain we have mirrored our requirements and imbedded ESG principals around societal impacts and supporting our delivery model by enabling us to influence our partners with the right incentivisation model and linking this with the increased visibility of our AMP8 programme enables us to build delivery programmes to ensure we are targeting the key areas of focus required by the business.

## Continuous improvement to drive efficiency

We have a mature and robust processes for driving efficiency and continuous improvement. Which is reinforced and grown through our culture and initiatives. Through AMP7 we have demonstrated that we can and do deliver outcomes efficiently and this solid foundation has and will continue to shape our programme for AMP8.

We have a firm focus on cost confidence (Figure 13), making sure the learning from the things we do well, and the lessons from where we fall short, are elevated through the business, and fed into active and future projects.

**Figure 13: Demonstrating Cost Confidence**



### **Systemised approach to costs**

We believe there are three main components needed to drive efficiency:

- Understanding our cost drivers.
- Assessing and monitoring variances throughout project delivery; and
- Reporting and reflecting on cost performance.

Our processes and systems facilitate consistent cost capture, monitoring and reporting. Cost data is embedded into our business-as-usual activity through an auditable system. Using our approach means the way costs are captured is standardised across our business and cost data is consistent and transparent to all teams that require it.

Our systemised approach enables us to undertake granular cost reviews to understand our cost drivers across the value chain – both those inside and outside company control. We assess the variance between our forecasts and outturns to understand cost performance, where efficiencies are made, and where there is more work for us to do.

Understanding the key drivers of our costs by price control enables us to take learning from anywhere in the business to target granular efficiency improvements for active projects and to account for the latest efficient practices at the planning and costing stages of future projects and programmes.

Our cost capture methodology strikes a balance between the cost and effort of capturing granular cost data. We have optimised the use of our systems and tools to minimise the cost of capturing cost data and our system of internal monthly cost reporting against outcomes helps reinforce the systems approach and continuously focuses everybody involved in a project on cost efficiency.

## Project Reviews

We have continuously strengthened our project review process for AMP7 as we aim to continually improve our business-as-usual processes. As a minimum, all projects undergo bottom-up handover reviews which cover delivery against planned outcomes, costs, cost efficiency and learning points.

All projects and programmes approved by our 'Investment Planning Committee' must provide top down, programme level reviews based on cost, outcome criticality, innovations and/or risk. For all reviews, we identify and action areas for improvements whilst promoting and strengthening areas of success.

This means all projects are reviewed and we continually challenge ourselves on all things including cost efficiency. Our projects reviews include but are not limited to:

- a top-down review of overall work programme interdependencies and systems.
- a bottom-up review of programme elements, sites, schemes, techniques, outcomes, costs; and
- RAG statuses for assessed elements and to flag significance of lessons identified.

Our review methodology is holistic in approach and seeks to categorise the performance of project and programme elements and identify trends and common themes. This means that cost efficiency is assessed at both project and programme level and by specific project and programme stages, delivery techniques, technology, innovation, or delivery partner.

The reviews account for final cost of solutions, including subsequent opex to build a complete picture of our cost efficiency. The review process is endorsed by management who are accountable for overseeing the completion of the 'management actions. Actions are assigned to address areas in need of improvement or to promote success into developing and active programmes to benefit the wider business and customers.

Our project review process forms a key part of our continuous improvement ambition. It enables us to learn and continuously improve projects and programmes going forward. It also elevates successful initiatives within the business to promote cost efficient practices.

## Our Culture

Achieving efficient costs requires all parties including our supply chain to buy into the ambition. Our culture means all those engaged in our projects and programmes are:

- well informed and up to date with the latest technology.
- encouraged to innovate and try new things; and
- focussed on continuous improvements in cost and scope efficiency and innovation.

The drive to deliver upper quartile performance and cost efficiency has been a key strategic aim. Staff at all levels are encouraged to consider cost and efficiency improvements and everyone has a voice. Through this approach, the drive for efficiency is felt at all stages of projects, programmes, and directorates.

## Our Governance

To achieve efficient costs and effective delivery, delivery itself must be efficient, controlled and monitored. Our governance:

- ensures we only outsource when needed, and when we do, we put the right people on the job
- ensures schemes receive the right level of scrutiny and approval before they commence
- Ensures schemes are monitored regularly on cost and programme and lessons are identified early.

Our new delivery model builds on the successes of the past whilst making improvements to areas where we felt we could have been better. We have made great progress and our new approach is substantively in place. We have and will continue to change and evolve the way we deliver larger capital schemes, which gives us greater control over efficiency through innovation and throughout the design.

The new delivery model puts us in a strong position to use our partners in the most effective way, using our Tier 1 partners on large complex schemes and our Tier 2 and 3 for smaller jobs. Having the flexibility within our contractual arrangements provides us better access to innovation deep within the supply chain and the ability to engage and contract directly with the specialists and experts we require to support our AMP8 programme.

This operating model is built to deliver innovation benefits and spread supply chain risk. We have also invested and are continuing to invest in our systems to provide additional control and visibility of our capital programme, and an improved understanding of our costs and the costs within our supply chain.

The benefits we are driving through our new delivery model include:

- **Organisational** – Reduced overall programme cost by maximising the opportunities of co-location.
- **Value Engineering** – Enhanced Expert Client function that enables Totex thinking and innovation. Investing in our own people to make the right investment decisions in the medium and long term.
- **Cost Saving** – Savings made directly through our procurement and contractual processes. We ensuring the right work goes to the right supplier. We regulate and benchmark our supply chain performance through other commercial routes (e.g., mini competition). This also gives us better cost transparency.
- **Technology** – We have invested and are continuing to invest in digital tools to support our new delivery model including a Common Data Environment to promote more effective collaboration, a Commercial Management platform to enhance cost, contract, and supplier relationship management, etc.

We are building on our previous successes – This includes continuing with collaborative planning which has enabled us to drive significant programme efficiencies with our delivery partners. The utilisation of standard products, to enable installation learning to be shared and replicated. Technology type batching, which has engendered LEAN, Safer, Better, Faster techniques to be successfully deployed.

All capital investment expenditure must be approved and when business cases exceed an approval threshold, all levels up to the approver must endorse the business case first. This ensures appropriate level of scrutiny of developing projects right up to Board level and that all levels are kept informed and have vested interest in the success and quality of the proposal.

Every month, active and prospective projects are reviewed for financial performance, outcomes, risks, and opportunities across all our programme streams. Deep dives are scheduled where concerns emerge, and this can include review of cost and delivery efficiency.

Our Programme Performance team provide monthly, independent challenge, with the relevant Heads of Delivery completing 2nd line reviews on a monthly and quarterly basis. With reporting issued monthly for further scrutiny and challenge up to Board level. Our Internal Audit function maintains an annual audit plan, reporting directly to the Group Finance Director and Audit Committee.

## Benchmarking

We cannot achieve efficient costs if we only look inwardly. By scrutinising our price review determinations and engaging robustly in model develop enables us to benchmark our costs and techniques. Whilst fostering collaboration to help others we in turn learn new things.

As outlined in our 'Costs and Efficiency' document we can provide the assurance that the programme we present has been through a thorough review. That means that we understand the uncertainties surrounding the enhancement programme and are well placed to manage them through the delivery process.

We have also attempted to test the enhancement programme through analysis of:

- K7 cost and activity information within Annual Performance Reports
- available information from WRMP and DWMP submissions.

Working with Oxera, we have looked for meaningful cost comparisons, though different circumstances between companies and the lack of K8 forecasts from other companies make such comparisons challenging. Where information has been available, it provides some additional confidence that our costs are efficient for the programme we face.

Our hierarchy of Cost Data used in building up on business plan is as follows:

- SWW Cost Models (PR24) Process Level
- SWW Cost Models (PR24) Element Level
- Rates, Quotations or Estimates from Framework Agreements
- Other published cost data such as TR61 or data from Cost Managers own systems.
- First Principles Estimating

As part of our assurance our PR19 cost model benchmark produced by our Cost Managers created an initial schedule of processes to be included in the PR24 benchmarking exercise. From this, all the estimates completed in the PR24 business plan were analysed and the most significant processes, i.e., those with the highest total value across each of the programme of works, were used to supplement the PR19 benchmark models, to ensure confidence in the high impact models on the PR24 programme.

In benchmarking project data, we must have a thorough understanding of the component parts of that data. Only when this is understood can we effectively compare ourselves against others. We have an established analysis of our scheme costs as a business-as-usual process which has been in place for over 15 years.

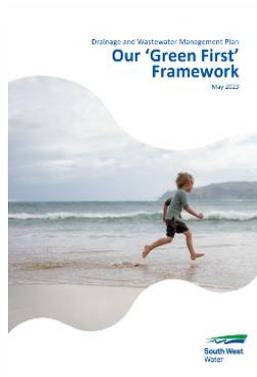
## Promoting Innovation, Net Zero and Nature Based Solutions

We have extensive experience of catchment management, promoting innovation, net zero, and nature-based solutions. A good example of this is the work we are delivering around peatland restoration, delivered in partnership across the region since 2010.

Every outcome or intervention is about making a positive difference to the environment, our customers, our staff, and the communities we live in and serve by creating a safer, sustainable future. As part of the selection process of our Tier 1 partners involved them explaining and demonstrating how they would work with us in supporting our drive to nature-based solutions. Those appointed provided demonstrable evidence of their expertise and knowledge in pursuit of our 'Green First' framework.

### Our 'Green First' Framework for nature-based solutions

We will consider nature-based solutions to across investment and operational needs first – following our 'Green First' framework published in June 2023 alongside our Drainage and Wastewater Management Plan. This approach will look for the opportunities to work with nature, our stakeholders, and communities to reduce the amount of water entering our drainage network by slowing the flow in our catchments. At least 10% of our activities will be nature-based (such as rain gardens, swales and creating habitats which store more water in the landscape) by 2030 and we will develop our skills, understanding and capacity to deliver more nature-based solutions in the future.



### Catchment management through our Upstream Thinking programme

Since 2010, we have been collaborating with local farmers and landowners to deliver our award-winning Upstream Thinking programme. We are well on track to deliver over 120,000 hectares of catchment management by 2025 bringing benefits for water quality, wildlife, water resources and peatland restoration.

We expanded the programme through the Green Recovery initiative which enabled us to expand our influence to benefit the rivers and headwaters of Dartmoor and the surrounding landscapes.

To deliver the programme, we commissioned trusted, local organisations to employ Farm Advisors to engage with farmers and landowners, providing advice, support, and confidence to manage their land differently in ways which are better for water quality, water supply, flood resilience and wildlife.

### Diversifying our supply chain to do things differently

South West Water has well established relationships with key delivery partners for our award-winning Upstream Thinking Catchment Management programme. The delivery partners include Cornwall Wildlife Trust, Devon Wildlife Trust, FWAG, South West Lakes Trust and Westcountry Rivers Trust. Those partners have confirmed that they would be willing to supply new services to South West Water and were invited to put forward their proposals for delivering collaborative and nature-based solutions to meet the challenges set out in the PR 24 plan.

To ensure wide awareness and engagement of stakeholders in the development of our strategic plans, we established a periodic Stakeholder Engagement Forum which brings together colleagues and groups with an interest in how water is managed and the impact on the environment. As well as receiving regular updates on the development and progress of the PR 24 Business Plan, all Forum members were invited to specific events on the Drainage and Wastewater Management Plan and the Water Resources Management Plan.

South West Water has also discussed our PR 24 plans and ambitions with the many external forums and partnerships that we are engaged with. These include Local Flood Risk Management Committees, Local Nature Partnerships, Catchment Partnerships and many other groups and events that we are invited to attend.

An annual cycle of one-to-one meetings with key stakeholders, including local authorities, Chambers of Commerce, tourism representatives and environmental interest groups was also undertaken.

South West Water's supply chain has also been challenged to bring forward a range of collaborative and nature-based solutions, and to set out their relevant skills and expertise, as they consider and respond to our call for framework contacts.

### Our stakeholders tell us...

The environment is one of their highest priorities, alongside resilience and affordability. They see our 'Green First' approach, using nature-based solutions to deliver improvements as a key strand to our programme. Our WaterFit Live website is a useful tool and has potential to go further. It's key to our stakeholders that the information we share is up to date and accurate to build trust.

Customers and stakeholders recognise that we can't solve these issues alone. Agriculture is the largest contributor to river pollution, and we need to work with our stakeholders across the region to reduce Rivers Not Achieving Good status (RNAGs) and improve water quality. Our stakeholders want to work in partnership to co-create and develop solutions, including working with natural processes and nature-based solutions, and strongly support our community engagement initiatives.

## CREWW

CREWW research was co-created with key partners South West Water and UKWIR, drawing on expertise from the University of Exeter to provide a multidisciplinary research team. The research is designed to bring together engineering, nature, economic, and behaviour-based solutions to deliver multiple benefits to the environment, society, and the economy.

This work supports our delivery plans through the provision of an innovation engine to challenge current ways of operating and to provide opportunities to innovate and drive efficiencies and support our net zero agenda.

## Innovation Promotion

In preparation for AMP8, we have been discussing with suppliers several ways to incentivise investment in the water industry. Through changing the way we contract, moving towards a more equitable share of risk, our supply chain is incentivised to be more innovative in their method of delivery. Following are some of the ongoing innovations, opportunities and areas of exploration that will support AMP8.

As an example, our drinking water quality investments are also adaptive in nature. We are preparing to mitigate the risks of raw water deterioration by upgrading various water treatment works (WTW) to allow for the rapid mobilisation and deployment of mobile treatment technologies so that our WTW remain in service during adverse raw water conditions.

We also dedicating time to support engagement and education of communities, education bodies and institutions through conferences and workshops. By way of example, we are a United Kingdom Society Trenchless Technology (UKSTT) – patron sponsor. Whilst UKSTT's mission is to promote the use of trenchless technology and to promote its benefits for the public and the natural environment by increasing awareness and knowledge through technical information dissemination, research and development, education, and training and as patron we are actively supporting this approach.

Our support and utilisation of such technologies is evidenced by the recent 'Green Apple Award' for the Pennance Mill Rising Main described as 'A successful recipe combining innovative and traditional ingredients.' With the award presentation in November 2023 at 'The Houses of Parliament' in London.



Green Apple Awards

This specific project was acknowledged as a testament to the commitment of the engineering team and our delivery partners in executing environmentally sustainable and efficient projects. The successful mitigation of pollution incidents, timely delivery, and innovative practices exemplified the project's exceptional qualities. We believe that this project is deserving of recognition and will serve as a model for future endeavours in the field.

These comments also reflect the UKSTT's society's chairman following below his briefing of our AMP8 plan. *"The support of utility owners is important to our members who represent the varied sectors of the supply chain and who strongly support South West Water in its future delivery programme. The response from UKSTT members is very positive and we are confident there will be plenty of support within the supply chain to deliver on your AMP8 Business Plan."* – Ian Ramsay, Chair of United Kingdom Society for Trenchless Technology (UKSTT)

## Research, Development & Supply Chain Engagement

Research and development are important to delivery. The utilisation of innovative solutions to help the customer journey, improve efficiency and effectiveness is important. We are:

- Working with the University of Exeter to undertake research covering: Drinking water quality, Pollution incidents, Waster water quality, leakage, and resilience,
- Using funding from the OFWAT innovation fund to explore partnership working,
- Developing the upstream thinking programme to understand catchment level solutions through collaboration with Exeter University as part of the Centre for Resilience in Environment Water and Waste CREWW,
- Working with new organisations like I-Phyc in the development of algae-based water treatment solutions.
- Engagement with organisations such as British Water, Future Water, UKSTT, and the Pipeline Industries Guild, etc.

## Case Study

**Ceramic Membranes** – Following pilot research and working with PWN Technologies wholly owned subsidiary of Nijhuis Saur Industries (NSI) a prototype was evaluated in the early years of AMP6 and was shown to have a large impact on water quality and operational costs which led to the investment of the Mayflower Treatment Works<sup>1</sup>.

This new generation of surface water treatment facility with ceramic microfiltration (CeraMac®) (Figure 14) is on the outskirts of Plymouth, Devon, using this innovative treatment method for the provision of drinking water. The innovative membrane system combined with the equally novel suspended ion exchange (SIX®), in-line coagulation (ILCA®) and ozone membrane cleaning system (CerOzone) demonstrated the potential of ceramic membranes as efficient alternatives to traditional approaches.

The project delivered a long-term strategic goal for the area's water supply, providing circa 250,000 consumers and 6,000 businesses with sustainable, top-quality water at significantly lower capital and operating cost than conventional technology. It also deals more effectively with the wide range of raw water quality within the two water sources supplying the site.

Due to the success, we are achieving we are now utilising this technology at two further sites in Bournemouth - Alderney WTW & Knapp Mill WTW



**Figure 14: Mayflower Water Treatment Works (Photo Courtesy of PWNT)**

<sup>1</sup> <https://www.southwestwater.co.uk/about-us/Projects-investments/mayflower-water-treatment-works/>

## Resourcing Delivery

In today's dynamic and competitive business landscape, success hinges not only on innovative business design and cutting-edge technology, but also on nurturing and harnessing the unique talents and potential of individuals within our organisation and local region. We have developed several talent and people-focused initiatives that support our strategic shift in the way we approach growth and sustainability. This forward-thinking approach prioritises the recruitment, development, and retention of top-tier talent, recognising that they are the driving force behind our organisation's innovation and customer satisfaction.

### There is an evident need to create jobs and economic stimulus

As part of our delivery plan, we have sought to understand the regional and national impact our proposals will have on employment. This is to enable us in conjunction with our delivery partners to understand and implement the appropriate interventions to increase employment within our sector both in the short and long term. Figure 15 illustrates those levels of 'inactivity / unemployment' in the 16+ age group within the south west of 3.3% against a national average of 3.9%<sup>2</sup>.

**Figure 15 – Unemployment for aged 16+ - March to May 2023**



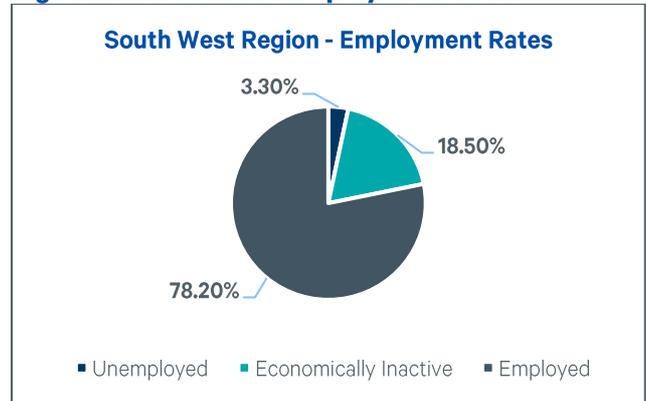
<sup>2</sup> Labour market overview, UK - Office for National Statistics (ons.gov.uk)

<sup>3</sup> Employment in the UK - Office for National Statistics (ons.gov.uk)

The Covid-19 pandemic had a detrimental effect on the livelihoods of all of our communities and the economy. Figures show that in the second quarter of 2020, the UK economy plummeted due to the 'stay at home' restrictions. Such restrictions caused economic activity to decline and output to fall significantly for sectors such as construction.

The levels of 'inactivity / unemployment' in the 16+ age group within the southwest are illustrated in Figure 16<sup>3</sup>.

**Figure 16: South West Employment Rates**



Within our region the areas with highest level of unemployment rate for aged 16 and older are located around the main centres of population (Figure 17)<sup>4</sup>. This comes as no surprise; previous recessions have highlighted young peoples' vulnerabilities to changes in economic conditions, when unemployment for this age group have soared. Since then, employers have been encouraged to support the younger generation on the path to sustainable employment. By providing meaningful employment.

Our programme can play a significant part in helping to avoid a lost generation whose life-chances are blighted by a prolonged period out of employment or lack of training opportunities.

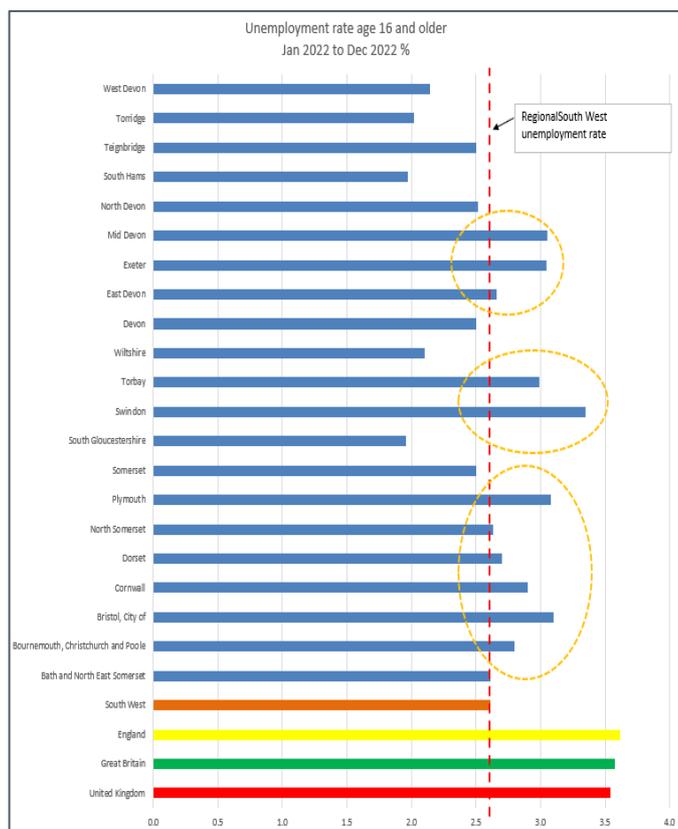
With a double coastline and dispersed population, with many coastal towns around the southwest suffer from high rates of poverty, unemployment, and health risk factors, together with poor housing, public service provisions, lack of public transport, and communication connections.

The evidence has demonstrated a clear need for economic stimulus, within our region with a clear need for employment opportunities. From our review, we have defined that there is a real need to:

- Boost opportunities for employment within our region.
- Promote job security and resilience within our industry.

<sup>4</sup> Employment in the UK - Office for National Statistics (ons.gov.uk)

**Figure 17 – South West unemployment rate age 16 and older – Jan 2022 to Dec 2022**



### Jobs and skills required to meet our future challenge.

Besides the immediate need, there are also potential long-term issues we need to take into consideration. By considering these issues as part of our business plan, it means we can ensure that any action we take is in our customers’ best interests for the long term – as well as for the regional good in the short term.

Looking at the future, we have considered as a business, do we have the right balance of skills and diverse talents to tackle challenges such as the environmental and climate change in an affordable way?

Skills gaps and shortages can be considered as a ‘bottleneck.’ It has also been recognised that an ageing workforce and changing technologies are the key influencers in these skills gaps. Our future challenges will require new skills, both for newly emerging jobs and for the existing workforce who will need to adapt. In developing our business plan, the key areas in which we will be focusing on skills development are:

- **Engineering** – replacement of expert engineers as the current workforce ages and skills to deploy innovative technologies/processes.
- **Construction** – Project Managers, operatives

- **Climate resilience** – operator level actions to improve climate resilience and risk management such as assessments of future resource availability.
- **Land management (natural assets)** – climate change adaptation ; conservation ; flood management ; operation and maintenance ; carbon capture and storage ; and carbon management.

Our proposals tackle these gaps in the context of each of the challenges we are addressing. We also recognise that a diversity of talent brings different ideas and perspectives which improve how we work as a business and enable us to understand and meet the needs of the communities we serve. As a company we are making steady progress in our workforce reflecting the communities we serve. Through our proposals we are striving to encourage the communities we serve to engage with their natural environment and play their part in long-term solution. This makes it important that our recruitment processes and that of our delivery partners acknowledge the need for diversity.

### Our proposals seek to tackle the skill gaps and future challenges

As a significant employer (directly & in-directly) within our region, we understand the importance of creating a diverse and skilled team. In addition, we recognise the significant role we play in contributing to a successful society and economy across our region by stimulating job creation in our supply chain through investments. Therefore, we are seizing this opportunity to play a bigger role in society and doing so in a way that better equips our workforce and our communities to meet the future challenges.

When considering how best to achieve the outcomes in our business plan we have sought to maximise the impact it will have by:

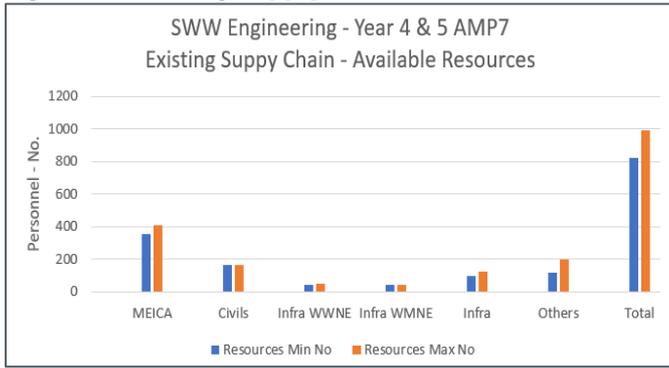
- Targeting employment opportunities on 16-24-year-olds, who are the group that is hardest hit by unemployment/inactivity.
- Retaining jobs in the supply chain (which maximises the impact of the multiplier effect).
- Focusing on improving skills in the areas identified in our independent assessment of resource requirements.

Focusing on driving these three core objectives will ensure the creation of sustainable jobs and skills that will be required for many years to come.

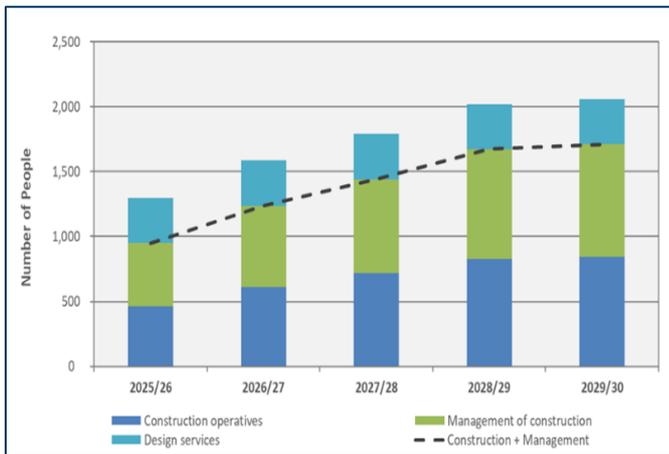
### Jobs Creation over AMP8 and beyond

To support an understanding of the resource requirements above our existing AMP7 levels created by our AMP8 programme, an assessment of existing supply chain resources was conducted as illustrated in Figure 18.

**Figure 18: Existing Supply Chain Resources**



Based on this assessment our supply chain is directly employing between 800 and 1,000 employees in the delivery of our current Year 4, AMP7 programme. Recognising that the AMP8 business plan was a ‘step-up’ in activity we commissioned an independent detailed analysis of the direct labour demands requirements for our AMP8 programme. The results of which are summarised in Figure 19<sup>5</sup>:

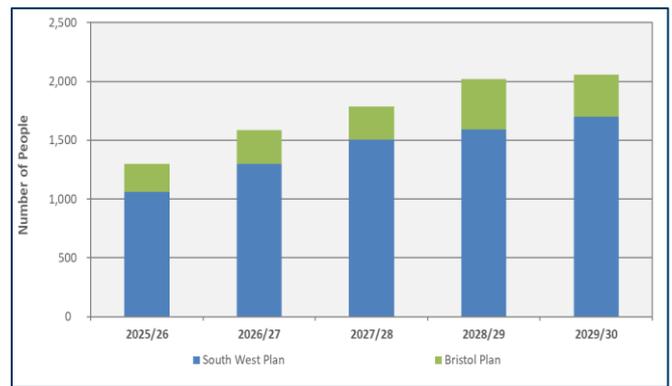


**Figure 19: Forecast labour demand from South West Water planned K8 Capex Spending**

Modelling and forecasting future labour demand as a function of the value of work undertaken to date and as a factor of future capital spend and summarised in Figure 18 which provides the breakdown of resources required for AMP8 by discipline. The report produced by our independent expert outlined the construction skill gaps and pinch points that would need to be addressed.

Figure 20 illustrates the forecasted labour demand arising from the planned Capex spend broken down by regional operations demonstrating that most of the construction activity would be occurring with the South West Water area.

**Figure 20: Forecast labour demand arising from the planned Capex spend broken down by regional plan**



The analysis from our external provider identified within Figure 2 and Table 1 the estimated amount of jobs that will be created annually as a direct result of our strategic investment programmes.

**Figure 21: Forecast labour creation by strategic investment programme through AMP8**

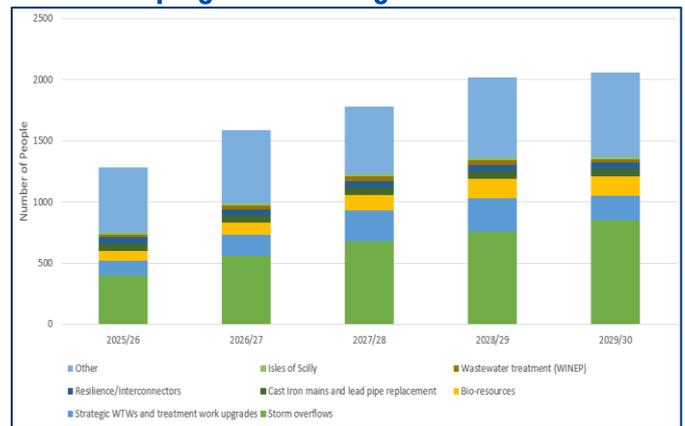
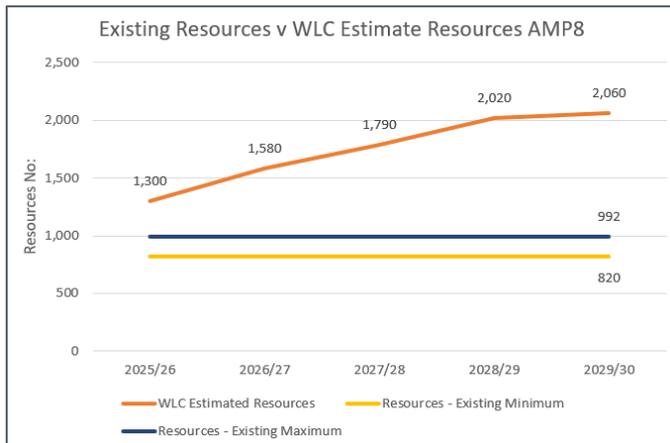


Figure 21 and Table 1 illustrate the breakdown of resources required for AMP 8 because of our investment programmes, providing an indication, of the potential construction skill gaps and pinch points that may need to be addressed.

**Table 1: Forecast labour creation by strategic investment programme through AMP8.**

SIP grouping	2025/26	2026/27	2027/28	2028/29	2029/30
Storm overflows	400	560	680	760	850
Strategic WTWs and treatment work upgrades	120	170	250	270	200
Bio-resources	80	100	130	160	160
Cast Iron mains and lead pipe replacement	60	60	60	60	60
Resilience/Interconnectors	50	50	50	50	50
Wastewater treatment (WINEP)	20	30	40	40	30
Isles of Scilly	20	20	20	20	20
Other	530	600	550	660	690
<b>Total</b>	<b>1,300</b>	<b>1,580</b>	<b>1,790</b>	<b>2,020</b>	<b>2,060</b>

As highlighted previously, given the current economic outlook it is essential to create jobs as soon as possible. As displayed in Table 1 jobs created across AMP8 annually, it can be seen that of our proposed programmes, 'Storm overflows' and 'Strategic WTW and treatment upgrades' create the largest percentage of jobs over the five years in relation to their total investment. This is due to the nature of work, which requires shovel-ready jobs that can be deployed quickly. Through our estimates based on the percentage of investment spent per year, we have estimated that between 2025-30, that up to 1,200 additional jobs over and above our existing supply resources will be created as a direct result of our proposed programmes (Figure 22).



**Figure 22: Resource comparison – Existing v Estimated**

## Full Time Equivalent Multiplier and Effect

Every five years the Office for National Statistics (ONS) produces estimates of “Full Time Equivalent” (FTE) multipliers and effects.” These are produced at the level of industry groups, which are categorised by the SU114 codes<sup>6</sup>.

Table 2 - Type I FTE multiplier and effects are an extract of the most current employment multiplier and effects, showing the number for those industry groups that seem most relevant to our proposals.

SIC	Industry	Type I FTE Effect	Type I FTE Multiplier
E36	Water Collection, Treatment And Supply	6.566	1.899
E37	Sewerage	4.181	1.666
E38	Waste Collection, Treatment And Disposal Activities; Materials Recovery	12.325	1.919
F41 - 43	Construction	14.896	2.175
M71	Architectural And Engineering Activities; Technical Testing And Analysis	18.379	1.678

**Table 2: ONS (2022) "FTE multipliers and effects, Reference year 2019**

Through the engagement of our own employees and our delivery partners with local business in carrying out their duties we would anticipate that due to the larger scale of work and activity presented in AMP8 in comparison to AMP7 utilising the multiplier effect as outlined, which estimates that for every £1 million invested results in 20 to 35% flowing back into local businesses and industries supporting our mobilised workforce, we would expect to see increased local economic activity as a result.

The 'FTE effects' provides a mechanism intended to estimate the total amount of jobs created throughout the wider economy as a direct result of the per £1m invested. From this we have been able to estimate that from our intended investment of over £2.0 billion approximately 24,500 jobs could be created across the wider regional economy.

Our programme is a huge catalyst to regional growth and prosperity through direct delivery of the programme, environmental benefits achieved, growth of regional employment opportunities, development, and growth of new skills requirements to maintain new long-term assets.

The labour demand arising from our programme is low, but we recognise that there is the potential for some mismatches in particular occupational groups. The independent analysis conducted for each of the 28 occupational groups, the occupations where potential pressure points arise has also highlighted the key occupational pressures exerted by our expenditure on the wider industry and the industry's recruitment pressures. As a result of the analysis, we have recognised the need to support our supply chain in addressing the following occupations to ensure that the labour required to deliver our business plan is available:

- other construction professionals and technical staff,
- other construction process managers,
- labourers,
- plant operatives; and
- surveyors.

<sup>6</sup>FTE multipliers and effects, reference year 2019 - Office for National Statistics (ons.gov.uk)

## Sustainable Legacy

In every aspect SWW are focused on how to achieve the most sustainable outcomes for the communities, environment, and economy in which we operate. Operating in a very strict system of regulation in place to safeguard the best interests of its customers and the environment.

Our legacy must be sustainable as technological advancement and artificial intelligence is increasingly common, the need for new organisational strategies and niche skills increases.

### Employment and skills

Employment market flexibility and diversity has been steadily increasing, with more people than ever working in self-employment, part-time jobs, and under zero-hour contracts. An important consequence of these changes is ensuring the skills and talent for the future. As sustainability and the environment becomes more important, and as technological advancement and artificial intelligence is increasing common in the workplace, new and niche skills become more important. STEM-based occupations, such as digital literacy and ICT skills, are emerging areas of focus where we and our delivery partners are working actively with organisations and academia in addressing.

Throughout this document we have highlighted the initiatives that SWW support and driving that result in the upskilling of the local labour market and provide local employment and training opportunities.

But regionally as an organisation we are proud of our heritage however, we are cognisant that the south west of England can be a geographical challenge, restricting talent availability. We have proactively focused on delivering compelling incentives, such as remote work options, relocation packages, and a strong work-life balance to make the south west an attractive destination for our workforce and we are encouraging our delivery partners to reflect our approach. Furthermore, we have developed several approaches to talent attraction and business advocacy to support the organic growth of our region.

- Creation of the Pennon Academy in conjunction with Department of Education to support entry into the workforce for skilled and professional through tailored graduate & apprenticeship programmes.
- Armed forces covenant to support the transition of veterans into industry.
- Gold membership of 5% Club, currently achieving 10% as internal target.

- Social mobility business partnership with other local organisations to help with introduction of regional workforce to our industry; and
- 6-month work placement programmes across for individuals with low means background.

Creating a positive, enduring legacy for the Greater Southwest, through our delivery model is especially important to us, as demonstrated by the confidence demonstrated by our delivery partners, several who are entirely new to South West Water and our region.

We have the largest ongoing capital programme in the region and our mobilised model is bringing in talent and investment from across the country. In addition, with a 25,000 strong construction resource, mobilised in our region delivering Hinkley Point C we are uniquely positioned to use this capability and capacity as Hinkley 's heavy construction ramps down.

In the meantime, we have been actively working with our supply chain partners to profile future resource requirements and resourcing strategies and have identified other regional projects in the south west and are developing plans to capture this resource to provide regional continuity as well as support our future resource requirements.

### Local young people – attracting the next generation to our industry

Early education and formal training programmes are vital for nurturing skills, fostering career growth, and strengthening our local economy. We pride ourselves on setting a solid foundation for lifelong learning and providing direct experience to bridge the gap between education and employment.

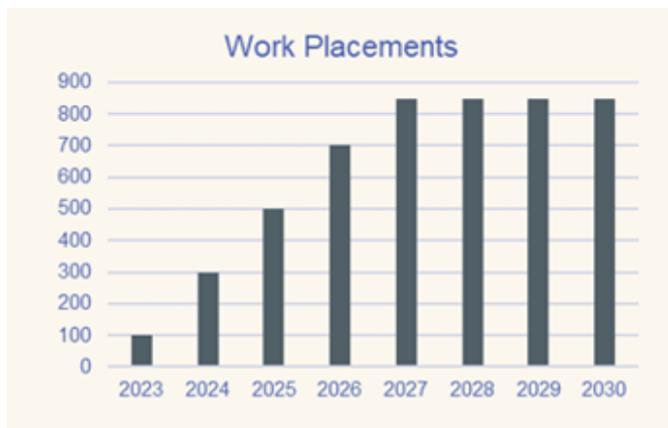
We have recently doubled our apprenticeship and graduate recruitment targets and launched an ambitious work experience programme to further support our social mobility and community plans.

As an organisation we will be responsible for 5000 work placements before 2030 (Figure 21) within our environment & engineering functions, we believe this is vitally important in helping young people understand our business and the water industry and supporting them in their early careers.

This exciting new venture will provide a solid foundation to support future years' early careers recruitment.



**Figure 21: Estimated Number of Early Careers work placements 2023-2030**

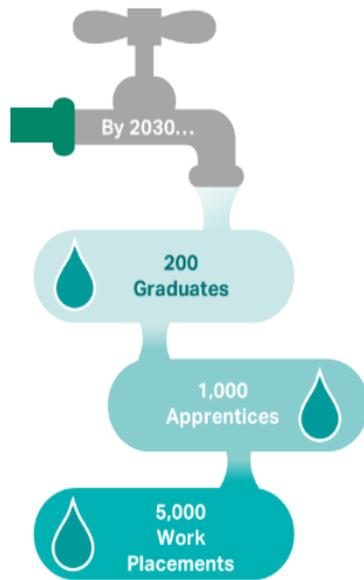


Additional benefits will include:

- A new programme promoting a range of offerings is being developed.

The programme is developing new partnerships with local schools and colleges and broad business support to highlight our exciting company:

- Partnering with the Social Mobility Business Partnership to support disadvantaged youngsters into work placements.
- Implementing a phased growing programme allows for important lessons to be learnt and partnerships to be established supporting PR24.



We believe that we need to tap into the enthusiasm of our young people and to increase their awareness of the opportunities within engineering and their drive to be more environmentally conscious we have been working with the Smallpeice Trust shaping a brighter future for the younger generation and advancing careers in the field of engineering. Through a partnership with The Smallpeice Trust, we are making an important contribution to the development and nurturing of local talent, and actively addressing the crucial skills pipeline required for the future of engineering.

*“South West Water’s dedication to education, collaboration, skills development, and diversity in engineering is commendable. Their support of our charitable programmes exemplifies their commitment to nurturing young talent and fostering innovation in the water industry and other STEM sectors.” – James Pountney, Head of Corporate Partnerships at The Smallpeice Trust (incorporating Arkwright Engineering Scholarships).*

### Skills Academy with partners – growing our own talent

At the heart of any great business are the people who work in it. With over 3,000 employees, our people strategy is centred around talented people doing wonderful things for customers and each other. Our responsibility is one of stewardship for sustainable living, supporting communities, customers, and the environment to thrive, now and into the future.

Supporting our external accreditation as a ‘Great Place to Work’ are a series of corporate volunteering events to support our group priorities of water, youth, and the environment.



As a Top 100 apprenticeship employer in the country, we are committed to building and developing organic talent through focused partnerships with local schools and colleges in specific areas including water analytics, testing, and servicing. Our target is to support 100 apprentices each year with 50 being new starters and 50 being upskilling our existing employees.



Our Green Recovery Initiative includes a plan to create up to 500 new jobs to support the local economy and to develop new green skills.

Whilst it is important to source new talent from outside, we have a strong commitment to investing in the development of our employees and in building and recognising talent across the Group. Throughout 2023/24, we delivered 15,458 training days for our 3,143 employees, ensuring that on average each employee received 36 hours of training – 5 days.



## Apprentices and Graduates

Across the Group we have developed a coherent approach to leadership, culture, talent, and skills development which will not only help us unlock the full potential in our business, ensuring we are match fit today, but also in anticipation of future challenges.



We are delighted that our apprenticeship programme was recognised for Large Employer of the Year at the regional finals and was also awarded Highly Commended in Recruitment Excellent category; confirming the high-quality programme we offer and highlights the talented apprentices we have.

Detailed below are our flagship initiatives and performance metrics that we are particularly proud of achieving.

- We have doubled our early careers targets and merged the Bristol Water and SWW programmes, which equates to raising our apprenticeship target from 500 to 1000 by 2030.
- Last year we supported 141 new apprentices across the Group. The total number of new apprentices we have supported since 2021 is now 342; ahead of schedule to achieve our 2030 target.
- Creating a broader apprenticeship programme feel in addition to completing individual qualifications.
- Doubled our graduate recruitment targets from 100 to 200 by 2030. Currently receiving close to 1000 applications for the graduate programme year on year.
- 74% of graduates are female and we currently have an intake this year of 32, up on 20 from last year.

- Further developing our employer brand for specifically recruiting quality apprentices and graduates.

## Our culture

Whilst we are a water business, we are also a people business. With the acquisition of Bristol Water, and in advance of our PR24 submission, we have been looking at our culture and values, the “golden thread” that focuses on not just what we do, but why and how we do it.

Over the past few months, we have been carrying out stakeholder interviews, leadership sessions, sessions with our trade union and employee forums as well as undertaking external and competitor desk research.

Our findings led us to several key insights. We’re already a committed values based and driven business, but there’s no doubt our people are feeling the effects of the media spotlight and that’s been tough on them given their passion for what they do each and every day. Galvanising teams and individuals with a reason to think and act differently is an opportunity. And interestingly, in the sector, all values we looked all – all said and looked the same. In the sessions we held, three themes emerged around Trust, Responsibility and being future focused. We believe our new values are powerful. Not only will they help us be the very best we can be, as individuals, teams and as a business, but there’s an added dimension with an external focus in being rock solid in the way we act and build trust.



**We want you to be the one we all look to. Be trusted. Act with integrity and make good on your promises. Build trust, one relationship at a time. Be rock solid.**



**We want you to bring your best everyday. Be open and inclusive, work together and win as one team. Let your passion inspire those around you. Be authentic, make your mark and be you.**



**We encourage you to be curious and challenge convention. Share ideas with confidence and purpose, and help shape our future. Embrace change. Drive progress. Own the challenge. Be the future.**

## Employee Engagement and Ownership

Giving our colleagues a voice is important. In 2022 we relaunched our employee forum. RISE our new colleague engagement forum means that all colleagues have representation through 100 representatives at local and company level. Their feedback and suggestions are heard by Executive Committee members and are highly valued.

Colleagues are also able to have a stake and a say in how we run our business through our HMRC approved share schemes. Participation across the business is high and we will be exploring options to maximise this.

Our reward strategy plays an important part in ensuring we are able to retain and attract the best talent to the organisation:

- As one of only 13,000 Living Wage employers in the UK we ensure that everyone who works for us gets paid fairly for the work they do and to ensure that pay meets every day needs.
- Employees are rewarded for their contribution to the success of the business through bonus arrangements which focus on customer delivery linked to the 4 priority areas for customers and communities.

## Diversity and Equality promotion

Diversity and equality are paramount in our business. Our diverse workforce brings varied perspectives, creativity, and innovation and enhancing problem-solving in our sector.

Continued focus on equality ensures that all our staff are valued, and opportunities are accessible to all, fostering a culture of inclusion and fairness that drives success and sustainability in the region.

In 2020, we pledged our support to the Change the Race Ratio initiative, a campaign to increase racial and ethnic participation in senior leadership of companies, as a route to encourage more diversity at all levels and was the first water company to do so. Some of our diversity initiatives that support a diverse workforce are detailed below:

- **Building employee networks** – which play a key role in encouraging and supporting employees in bringing the best version of themselves to work, contributing to an inclusive environment, and building a sense of community. The nine employee network groups support: Race, Ethnicity and Cultural Heritage, LGBTQ+, Women, Menopause, Grief, Financial Wellbeing, New Parents, Carers and New Starters.



- **Apprenticeship and Graduate Management Trainee programmes** – Our industry is predominantly male and our focus on targeted recruitment of graduates and apprentices has led to a high female recruitment rate, which is higher than our business wide targets.
- **Mentoring programme** – We offer female mentorship programmes for middle and senior managers aimed at helping to develop a broader pipeline of women and balance the gender diversity pyramid at all levels of the business. This contributes to the 30% club of which we are members.
- **Professional Development Programme** – Formalised training has been rolled out supporting our programme of Unconscious Bias training to almost all our senior leadership and hiring managers this year. In 2020, we pledged our support to the Change the Race Ratio initiative, a campaign to increase racial and ethnic participation in senior leadership of companies, as a route to encourage more diversity at all levels and was the first water company to do so.
- **Veteran support and re-skilling** – We are active members of the Armed forces covenant to support the transition of veterans into industry.

During 2022/23 our pledge and ongoing commitment continued to help shape our business activities and decisions. As a proud sponsor of the 10,000 Black Intern initiative, we successfully completed 9 internships which provided opportunities for individuals to experience working in their chosen career functions.

As one of the largest employers in the greater southwest, we have a responsibility to promote social mobility, address inequality and drive inclusivity across our region. We published our gender pay gap report for the sixth year and we are delighted to voluntarily publish our very first Ethnicity Pay Gap report:

- The mean gender pay gap in Pennon Water Services were improved by nearly 10% with improvement of 1.38% in the mean gender pay gap in SWW. This has led to a mean gender pay gap of 8.41% for Pennon Group overall with the median gender pay gap improving 3%. Compared to an industry average of -1.87%, and 12.7% in the region.
- Since 2021 report, the composition of the Group further evolved welcoming over 500 additional colleagues. The first year of including Bristol water in the Pennon Group results. 2022 mean and median pay gaps have both seen an improvement demonstrating positive steps in the right direction.

Recognising that diverse teams are the most successful and by using detailed analysis, we have been:

- Checking all our job adverts for masculinity to reduce the potential risk of alienating female applicants' (28% of job applicants were female).
- Ensuring a considerable proportion of our images used in the adverts are of ethnically diverse employees, encouraging more diverse candidates to apply. Around 26% of applicants were ethnically diverse and this figure has continued to rise year on year.

We understand the importance of inclusion in retaining our people, ensuring our employees feel valued and have a sense of belonging and feel able to be themselves. Following the acquisition of Bristol Water, we continue to work hard to build a sustainable workforce underpinned by our investment in new talent programmes with focused support and development for our female colleagues and colleagues from underrepresented backgrounds:

- Ranked 1<sup>st</sup> in the utility section of the FTSE Women Leaders Review.
- We are one of a handful of top FTSE businesses to have both a female CEO and Chair and have more women on the Board than men for the first time in Pennon's history.
- Ranking in first position in the Utilities section of the FTSE Women Leaders Review, exceeding the 40% target.
- During the last year, the percentage of the Executive Committee and direct reports (increasing to 47.2% from 44.4%) and the percentage of women on the Board (increasing to 55.6% from 42.9%), and we achieved the 7<sup>th</sup> highest score in the FTSE 250.
- Female representation across the whole group has increased to 31.4% this year from 29.5%, listed in the 2023 Bloomberg Gender Equality Index, as one of almost 500 companies globally committed to disclosing their efforts to support gender equality through policy development, representation, and transparency.
- Over the last two years, we have increased our proportion of ethnically diverse employees significantly, from c.0.5% to 3%.
- Held Lived Experience group sessions to understand what it is like to work at Pennon for employees from minority groups. The outputs were shared with our Diversity Committee to understand these perspectives and consider appropriate actions when issues are raised.
- Proud to be a Disability Confident employer.
- Member of 30% Club, committed to increasing gender diversity in our boardrooms and business.

8 Our mission and work | Institution of Civil Engineers (ICE) The infrastructure sector has a critical role to play in addressing these challenges and in creating a better future, using the UN Sustainable Development Goals as guiding principles. Accessed 26/04/2023

9 THE 17 GOALS | Sustainable Development (un.org) Goal 5- Achieve gender equality and empower all women and girls. Accessed 26/04/2023

Our Business Plan 2025-2030 • **Deliverability and supply chain**

## Case Study

Our actions speak louder than words – Meg Ginsberg – Apprentice Project Manager :

*"In 2022, I started as an Apprentice Project Manager in the Infrastructure Team at South West Water (SWW) and commenced my Level 4 APM Project Management Qualification.*

*I manage various drinking and waste water schemes across Cornwall and Devon, installing new pipework and other underground assets. One of my schemes at Budleigh Salterton aims to improve bathing water quality, through upsizing the network storage. Through this project, I have learnt to mediate the communication between designer and contractor, contribute to the development of the solution and manage site surveys. This will lead onto monitoring the project through construction to benefits realisation.*

*Implementing the UN Sustainable Development Goals<sup>8</sup> is core to my approach and has been the driving force towards my charity work, contributing to Goal 5<sup>9</sup> through my advocacy and support for the Young Women's Trust<sup>10</sup> (YWT). The charity played a pivotal role in kick-starting my career through their 'Work It Out'<sup>11</sup> Service.*

*From this insight into the charity's work, I met with Susan Davy, SWW CEO, to support my goal to improve the prospects of women in engineering. We have agreed a £25,000 corporate partnership between SWW and the YWT- working together to build a more equal and inclusive, workplace and industry. A key aspect of the partnership is the recruitment of women into STEM through apprenticeships and graduate programmes, driving their progression and opening opportunities within the sector.*

10 Young Women's Trust (youngwomenstrust.org) Young Women's Trust campaigns for young women's equality in the workplace, explore the issues that young women face such as the income gap and discrimination and, through our research, examine the challenges young women face. Accessed 19.04.2023

11 Get support | Young Women's Trust | Charity (youngwomenstrust.org) Work It Out is a free service that offers support for women aged 18 to 30. It aims to unlock your potential by building skills, strong mental health and opening up opportunities through CV and job application support. Accessed 26.04.2023

*To promote an engineering career, I was interviewed by Devon and Cornwall Live<sup>12</sup> about my apprenticeship journey, following the birth of my daughter and feet issues. Subsequently, I've had to adapt to life with a disability and using a wheelchair. By sharing my experiences, SWW are improving office and site accessibility, and increasing awareness and training.*

*I've established an enhanced project reporting tool, which communicates project progress to key stakeholders. This has had a tangible impact on multiple functional departments, sharing standardised information, that has led to better cooperation whilst eliminating duplication.*

*I'll continue to promote the opportunities for young, disabled women within Engineering".*

Meg's work in unlocking young women's potential and addressing the stereotypical assumption that engineering is a male environment by ensuring all businesses build an equal workplace.

*Meg has been volunteering with Young Women's Trust since August 2022. We're a charity that aims to champion young women aged 18 to 30 and create a fairer world of work. Meg joined our influencing planning group and has made a brilliant contribution to shaping our organisational priorities and campaigning work. She is articulate, thoughtful, and highly motivated. Both staff and fellow volunteers working alongside Meg have commented on her warmth and inclusive style – she supports others to contribute, listens as well as shares her own views and is highly collaborative.*

*It's also very clear that Meg is thinking strategically about how to support young women within South West Water and make the connections between her voluntary and professional work.*

*We have been hugely lucky to benefit from her obvious talents.*

- Claire Reindorp, CEO, Young Women's Trust

*Meg is a truly inspirational young woman who is trailblazing cultural change within South West Water and inspiring other young people to consider an engineering career in the water industry.*

*Meg sought out support from the Young Women's Trust to help her with her apprenticeship job application and based on her positive experience has been proactive in establishing a partnership to help share this same helpful service to other young women. Additionally, Meg has signed up to be an Apprentice Ambassador to further encourage young people to consider apprenticeships as a career choice. In addition, to being a successful Engineering Project Manager, Meg leads from the front in inspiring other young women to join the industry as we recruit the next generation of talented apprentices.*

- Nigel Fenn MBE, Head of Early Careers, Pennon Group and Chair of the South West Apprenticeship Ambassador Network

<sup>12</sup> Young mum starts new chapter with South West Water apprenticeship - Cornwall Live Accessed 18.04.2023.