

MINUTE OF AGREEMENT ON THE CUSTOMER FORUM'S EXPECTATIONS OF SCOTTISH WATER'S TRANSFORMATION PLAN

Introduction

1. In March 2017, through a tri-partite agreement, Scottish Water, Citizens Advice Scotland and the Water Industry Commission for Scotland (the Commission) established the second Customer Forum (the Forum) to act as a conduit for the views of household and non-household customers and communities¹ in the Strategic Review of Charges 2021-2027 (SRC21) process.
2. The role of the Customer Forum is to seek to agree with Scottish Water:
 - a. a Strategic Plan which has taken proper account of the evidence on the priorities and preferences of current and future customers;
 - b. the Forum's expectations of Scottish Water's Transformation Plan that the company will seek to ensure are addressed as the Plan is developed and implemented; and
 - c. the future involvement of customers and communities in Scottish Water's decision-making processes.
3. The Commission has set out that it is minded to accept such agreements as part of its Draft Determination.
4. The Customer Forum has played a key role in ensuring robust customer and community input into the co-creation of the Strategic Plan. It has worked collaboratively with water sector stakeholders to commission high quality behavioural, quantitative and qualitative research, seeking customers' views and expectations of service levels and the level of charges.
5. A Minute of Agreement between Scottish Water and the Forum was signed on the 5th February 2020 on the Strategic Plan. It agreed the Plan reflected customer and community priorities and aspirations and outlined the aspects where further assurance or points of detail were required from Scottish Water outwith the Strategic Plan document.
6. This further Agreement outlines the Forum's expectations of Scottish Water's Transformation Plan and the future involvement of customers and communities in Scottish Water's decision-making processes. Scottish Water commits to meeting these expectations as it develops and implements its Transformation Plan.

¹ Throughout this document customers refers to household and non-household customers; and communities refers to those of place and interest

The Customer Forum's Expectations of Scottish Water's Transformation Plan

1. The Customer Forum recognises Scottish Water's firm intent to play its leading role in achieving the ambitious Water Sector Vision and achieve the outcomes, objectives and commitments set out in its Strategic Plan and the associated Minute of Agreement. In essence, Scottish Water has committed to doing the right thing for Scotland, for people, our planet and the economy. Success will require a holistic and far-reaching transformation of the way Scottish Water works to bring about change in all areas of its business.
2. In this section of the paper the Forum sets out:
 - a. The strategic context for transformation from a customer and community perspective, including their view of the key drivers of transformation, and what it means to be a fully customer-centric organisation.
 - b. High-level expectations of the transformation required across Scottish Water to achieve its three strategic outcomes of service excellence, beyond net zero emissions and great value and financial sustainability.

TRANSFORMATION DRIVERS

3. To play a leading role in the Water Sector Vision, and to achieve its three Strategic Plan outcomes, Scottish Water will need to build on its strong track record and be an inspirational and innovative organisation. It will need to develop a shared understanding of the challenges and opportunities ahead with customers and communities. The Customer Forum considers the key drivers for Scottish Water's transformation from a customer and community perspective to be the need to:
 - a. Adopt a more prominent profile as a confident, responsible, ambitious publicly-owned company, leading, forming partnerships and driving change.
 - b. Enhance and further embed its focus on customers and communities, putting their needs and priorities at the heart of all they do; and achieving service excellence.
 - c. Embrace its commitments to delivering wider public benefit and enhancing the natural environment.

- d. Transform to achieve net zero emissions and ultimately going beyond that commitment.
 - e. Adapt to deal with climate change and protect levels of customer service.
 - f. Implement investment decision-making processes which reflect customer and community expectations and reassure customers that they are receiving great value now and in the future.
4. The Forum recognises that, operationally, Scottish Water has made great progress in its approach to serving and understanding its customers. To take that progress to the next stage, the Forum recommends that Scottish Water adopts the following principle:

Every decision made by Scottish Water should be the one it would take if the customer were in the room.

TRANSFORMING HOW SCOTTISH WATER WORKS

5. The Forum expects that Scottish Water will develop an integrated programme of transformation, including developing, and regularly reviewing, a customer-centric route map, that will outline how Scottish Water will seek to:
- a. Inform, engage, understand and empower customers and communities
 - b. Take customer-centric decisions
 - c. Lead and inspire others in the wider external environment
 - d. Evaluate and communicate progress to build trust and confidence among customers, communities and stakeholders.

The Forum expects that Scottish Water's aim will be for all four of these fundamental elements to be evident throughout the organisation.

Inform, engage, understand and empower customers and communities

6. The Forum expects that Scottish Water will:
- a. Recognise its services reach nearly every household and business in Scotland and lead, inspire, involve and empower stakeholders, customers and communities to play their part in taking forward the aims of the Water Sector Vision and objectives of the Strategic Plan.

- b. Develop, and coordinate with other stakeholders, an ongoing programme of engagement and research to keep in close touch with customer and community needs and priorities.
- c. Engage with business customers and Licensed Providers, seeking to understand their diverse views and needs.
- d. Promote confidence in its customer and community insight by synthesising, analysing, and triangulating customer and community information from this programme and from internal sources across the organisation. Sharing this collective insight in an accessible way so that others can actively understand and engage with customer and community views.
- e. Seek, develop and implement best practice and innovative approaches in customer and community engagement and assess these against internationally recognised standards.

Take customer-centric decisions

7. Scottish Water and the Customer Forum agree that a customer centric organisation is one which engages customers with integrity and empathy; which understands their needs, expectations and aspirations, ensuring they are central to its decisions and services; and which is delivering what customers want today and anticipating what they will want tomorrow.
8. The Forum expects that to become fully customer centric Scottish Water will:
 - a. Adopt the principle that *every decision should be the one it would take if the customer were in the room.*
 - b. Ensure customer and community expectations are understood, promoted and addressed at senior level and throughout the organisation.
 - c. When making decisions balance technical expertise with customer and community expectations and priorities.
 - d. Undertake a comprehensive programme of cross-functional process redesign, to ensure that customers are at the heart of all investment decisions; are made in the context of a long-term, system management approach; and are evaluated through its Benefits Framework, ensuring wider public benefits are considered.
 - e. Seek independent input from a customer perspective into its decision-making processes through a new independent customer group (see appendix).

Lead and inspire others in the wider external environment

9. Scottish Water has committed to playing a leading role in achieving Scotland's ambitious Water Sector Vision. To do this and achieve its strategic outcomes, the Customer Forum expects the organisation will:
- a. Inspire, lead and advocate change in the external environment.
 - b. Proactively identify change and innovation in practice, operations, regulation and the law that could have an impact on progress towards Scottish Water's Strategic Plan and encourage the relevant bodies to make those changes.

Evaluate and communicate progress to further develop trust and confidence among customers, communities and stakeholders

10. With its commitment to Ethical Business Practice, Scottish Water will further develop trust and confidence among customers and communities, as well as other stakeholders, by working to meet their needs and expectations. The Forum expects Scottish Water will:
- a. Evaluate the impact of customer and community insight on its decisions in an open and candid manner.
 - b. Demonstrate how it is making progress towards achieving customers' and communities' needs and expectations.
 - c. Seek scrutiny of its progress towards meeting customer and community expectations.
 - d. Communicate with customers, communities, and stakeholders in a fair, balanced and accessible manner.
 - e. Develop a robust suite of performance measures and a reward system which are fully aligned with strategic outcomes.

SCOTTISH WATER COMMITMENT

11. Scottish Water recognises and appreciates the significant contribution the Customer Forum has made throughout SRC21, which has led to the development of an ambitious Water Sector Vision and its Strategic Plan which reflects customers and communities' needs, priorities and aspirations. The Scottish Water Strategic Plan sets out three strategic outcomes: service excellence, beyond net zero emissions and great value and financial sustainability, and Scottish Water recognises that to achieve these outcomes it must transform how it works. Scottish Water commits to:

- a. Ensuring the Forum's expectations of its Transformation Plan set out above are fully addressed as the Plan is developed and implemented.
- b. Putting customers and communities at the heart of its decision making.

AGREEMENT

The Customer Forum welcomes the assurances given above and expects that when incorporated into the Transformation Plan that they will enable Scottish Water to become a fully customer centric organisation, committed to understanding and delivering the needs and aspirations of current and future customers.

**Approved by the Board of Members on
and 26th August 2020 signed on its behalf by:**

**Approved by the Customer Forum on
19th August 2020 and signed on its behalf by:**

**Douglas Millican
Chief Executive, Scottish Water
DATE 28th August 2020**

**Agnes Robson
Chair, Customer Forum
DATE 28th August 2020**

Appendix

An independent customer perspective

1. Scottish Water is clear that its journey to successfully delivering its Strategic Plan and becoming fully customer centric requires it to:
 - a. Engage with customers and communities and understand the needs and aspirations through means including the National Engagement Programme, and ongoing customer research, acknowledging that these will change and need to be regularly re-assessed
 - b. Establish mechanisms to ensure the views of customers and communities are promoted and considered in all decisions at a senior level and throughout the company.
 - c. Be challenged from a customer perspective.
2. On this basis, Scottish Water has agreed with the Customer Forum that it will establish a new customer group. The new group will:
 - a. Be hosted by Scottish Water but operationally independent – providing input and constructive challenge.
 - b. Engage collaboratively with Scottish Water and customers and communities on an ongoing and proactive basis, supporting a process of continuous improvement and transformation.
 - c. Be knowledgeable – using a wide range and variety of sources of information to understand the strategic challenges and opportunities impacting customers and communities.
 - d. Be recognised by other water sector stakeholders, and supported by them to fulfil its remit.
 - e. Have a fair, open and transparent recruitment process.
 - f. Have an evolving role, reviewed periodically to ensure it remains effective as Scottish Water’s transformation progresses.
3. The new customer group will not be legally constituted as a public body, nor will it have any role to advocate change to government policy.
4. The **objective** of the new customer group is to support and challenge Scottish Water to ensure the needs and expectations of all customers and communities are identified and articulated as Scottish Water undertakes the transformation set out in its Strategic Plan. This will be achieved by:
 - a. Partnering with Scottish Water on the development and implementation of the National Engagement Programme.
 - b. Coordinating and collaborating on customer research with sector stakeholders.

- c. Supporting Scottish Water on the development and implementation of its Transformation Plan and tracking progress.
 - d. Providing strategic challenge and insight to Scottish Water from and on behalf of customers.
 - e. Promoting consideration of the views of customers and communities in Scottish Water's investment decisions.
 - f. Supporting Scottish Water's work to increase public benefit and develop active, engaged relationships with customers and communities of place and interest.
 - g. Assessing whether Scottish Water is appropriately understanding and incorporating customer views in decision making.
 - h. Supporting Scottish Water as it revises its Code of Practice and the Consultation Code, and develops its Reporting, Performance and Information framework.
 - i. In the context of Ministers' Principles of Charging, and within the limits and expectations set out in WICS' final determination of the revenue required to meet long term strategic, regulatory and ministerial objectives, provide considered input on customers' views of charges as Scottish Water develops its annual scheme of charging.
5. Scottish Water commits to adequately resourcing the new group to enable it to carry out its role effectively, including the commissioning of research.
 6. As part of the commitment to Ethical Business Practice, Scottish Water and the Customer Forum have agreed a customer safeguard that whenever plans are submitted for approval to Scottish Government, WICS or CAS under industry governance arrangements, the new customer group will have the opportunity to have its views included, alongside other stakeholder views.
 7. To ensure Scottish Water continues to have access to an independent customer perspective between the end of the SRC21 Forum and the establishment of the new customer group, the parties have agreed that there will be an interim customer group, drawn from the existing Forum. This will end by Spring 2021 to make way for the new customer group.