

Annex 2: Sustainable Workforce Strategy



RIIO-T2 Sustainable Workforce Strategy

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1.0 EXECUTIVE SUMMARY

Our Business Plan builds on our strong performance over the T1 period. In many aspects of our new plan, we continue with programmes of work and the provision of services that are well established within our operations, driving continuous improvement in our performance in these areas to create further consumer value. However, our plan also includes important changes that are instrumental in ensuring that we meet the needs and capture the opportunities of the future to maximise the benefit we provide to the UK's electricity consumers.

In developing our sustainable workforce strategy, we have therefore considered the needs of both of these aspects of our Business Plan. We need to ensure that we retain and enhance what we are currently doing well where this is still needed, whilst recognising, planning for and implementing the development of our workforce to ensure that we are set up to meet new needs, challenges and opportunities.

Our strategy recognises that we are working in an environment of high competition for skills, both in our core competency areas and also in areas of technological developments of relevance to our sector. We are also planning to accommodate a high workforce renewal rate throughout our strategy's period as a result of the projected retirement of long serving staff. This issue was recognised following the introduction of new pension flexibilities in 2015 and we have been planning for this transition since that point, in order to ensure the sustainability of our workforce.

Our people matter to us, and in line with our values of sustainability, collaboration and dynamism, we want all staff to be inspired to demonstrate that we are committed to providing a place where everyone works together, supporting each other in delivering great service to our customers and stakeholders. Focusing on our values and what our employees mean to us will help us to continually develop the culture we need to drive the organisation. Our values underpin our strategy to bring our company closer to our customers, communities and stakeholders, to create a leading position in engineering and asset management and to equip our people with the skills needed for the future. This will help us attract the talent we need and also motivate our existing employees to deliver the highest levels of performance.

Through comprehensive analysis and planning, we have a clear understanding of what we need to do to have the right workforce in place to deliver our Business Plan and take our business forward confidently into the longer term future. Our actions will ensure that we have a sustainable, skilled, efficient, capable and motivated workforce to deliver on our work plans and meet our customers' requirements for years to come.

During the course of the RIIO-T2 period we forecast that we will recruit 162 new employees to maintain our resource levels and ensure delivery of our plan. Approximately 50% of this intake will be via graduate recruitment, with a further 19% via our apprenticeship programmes. In addition to business as usual competencies, in the areas of telecommunications and sustainability, we expect to acquire some specialist skills via graduate and external recruitment.

2.0 INTRODUCTION

We have developed our workforce plan in the following sequential steps:

- Workforce needs analysis
- Existing workforce projections
- Analysis of the gap between future needs and existing workforce projections
- Employment Market
- Workforce Plan
- Sensitivity analysis
- Ongoing Workforce Resilience measures

Each of these plan development stages is described below. We are confident that this comprehensive, structured approach has resulted in a workforce plan that is both optimal for our needs and is resilient.

Prior to setting out the detail of our strategy, we believe it is worth reflecting back on our performance in managing the development of our workforce over the RIIO-T1 period.

3.0 WORKFORCE MANAGEMENT IN RIIO-T1

Over the RIIO-T1 period (April 2013 to March 2021), we have and will continue to invest in new recruits and the upskilling of our existing staff. We have predominantly recruited apprentices, trainees and graduates to join our workforce renewal programmes. Where appropriate, we have also recruited experienced staff from the market place to supplement our development programmes, particularly for specialist roles.

To ensure that our staff remains equipped to work to the highest standard, we continue to invest in in-house training and development, delivering 5,165 internal training hours in 2018, a 50% increase from 2016. We have recently invested over £400,000 in our two training centres in Cumbernauld in Scotland and Hoylake in England; extending the training we can cater for and improving existing facilities. These facilities provide essential internal and external training and operational authorisations for our staff and contractors, ensuring high, consistent standards of core skills and safety from our system. These facilities are a key part of our delivery strategy for the future.

During 2018, we integrated the Iberdrola Engineering and Construction (IEC) Networks Business into our SPT organisation. This related party business had been established in 2010 to enable a new project delivery approach whereby a substantial amount of engineering design and project management activity, previously outsourced to Turnkey (or Engineer, Procure and Construct – ‘EPC’) contractors was brought back into our parent organisation in order to realise savings in capital expenditure. From a resourcing perspective, this business had characteristics more aligned to the engineering construction sector than that of regulated utilities, including a significantly higher level of staff turnover and greater dependence of agency / short term employment contracts. Its integration into the SPT business in 2018 has required us to adapt our workforce plan to account for a greater level of staff turnover, leading to a need to recruit an increased level of experienced staff, whilst we build development pipelines to attract and train up staff for the new roles that the integration brought into the Business. This additional internal workload is predominantly in professional disciplines and as a result, our annual graduate intake level into SPT is increasing.

To demonstrate the success of the plan we put in place for RIIO-T1 to grow our own talent in time to replace leavers and retirees, Table 1 shows the current status of graduates, apprentices in training and vacancies within our traditional Transmission organisation, excluding the integrated Iberdrola Engineering and Construction (IEC) population. The table shows that for 15 current vacancies within this part of the business, 9 Graduates/ Trainees are available that have recently completed their training, enabling the majority of the vacancies to be filled directly from our development pipeline, with the remainder being filled by either other internal or external recruitment.

Table 1: Total SPT resource summary for 2019, excluding recently integrated IEC Projects team

	Total
Target FTE	280
Current FTE (Q1 2019)	265
Vacancies	15
Total Graduates/ Trainees in pipeline	15
Graduates/ Trainees effective from 2019	9
Vacancies Internal/ External	6

4.0 DEVELOPING OUR SUSTAINABLE WORKFORCE STRATEGY

4.1 Stakeholder Engagement

We have worked with our workforce and Trade Unions to ensure that our RIIO-T2 Business Plan and Sustainable Workforce Strategy are robust and takes into account a wider range of views in relation to the Sustainability of our workforce.

Through our annual employee engagement survey, ‘The LOOP’, we also ask for feedback from employees on what matters to them working within the ScottishPower group. This feedback helps us to focus on the priorities and opportunities for change that enhance the employee experience for our staff.

On the 11th September, we met with our Trade Unions and presented them with our Sustainable Workforce Strategy and our 1st July 2019 Business Plan.

4.2 Workforce Needs’ Analysis

Our workforce needs have been informed by two main strands of analysis, the first of which addressed our underlying ‘business as usual’ activity as it is forecast to continue through the T2 period and beyond. The second strand focussed on the identification of the changes and new initiatives contained in the plan and examined how we need to prepare our workforce to deliver on these new needs. Taken together, the results of our work in these areas give confidence that our needs analysis is comprehensive and contains all of the key aspects necessary to ensure that we are appropriately resourced to deliver our RIIO-T2 and future Business Plans.

4.2.1 Business as Usual Needs

We have analysed the needs of our ‘business as usual’ activity, using resource planning tools calibrated on real experience since 2010 in the Projects area and taking account of forecast workload changes and efficiency improvements. The modelling assumptions have been derived from analysis of operational performance over the RIIO T1 period, staff records and projections of needs into RIIO-T2 and beyond.

A number of inputs have been factored into the analysis:

- SP Transmission’s Network Asset Management Plan
- SP Transmission’s Investment Programme
- Load scenario projections

Our overall analysis on work requirements is derived from 37 individual resource groupings (for example Project Manager group or Senior Authorised Engineer group). Three quarters of our overall SPT resources are contained within our Projects and Network Operations Businesses.

4.2.2 SPT Projects Resource Requirements

Within our projects organisation, we have two main resource tools that we utilise to predict resource requirements across all projects in the portfolio. Our engineering tool analyses historic and current trends on the number of design hours required for each project, while our project management tool takes into account the value and complexity of each project to predict resource needs. There are 15 individual resource groups within the two tools; each group has a predicted resource requirement against each project.

Both resource tools take the analysis on FTE requirements and spread the resource requirements over a time period, taking into cognisance when the work is required in the project cycle informed by key dates from our Master Plan (which is maintained in our MSPe planning system).

Figure 1 below gives an example of one of the 15 Project’s resource groups, while Figure 2 shows the summation of the 15 groups at an SPT Projects level.

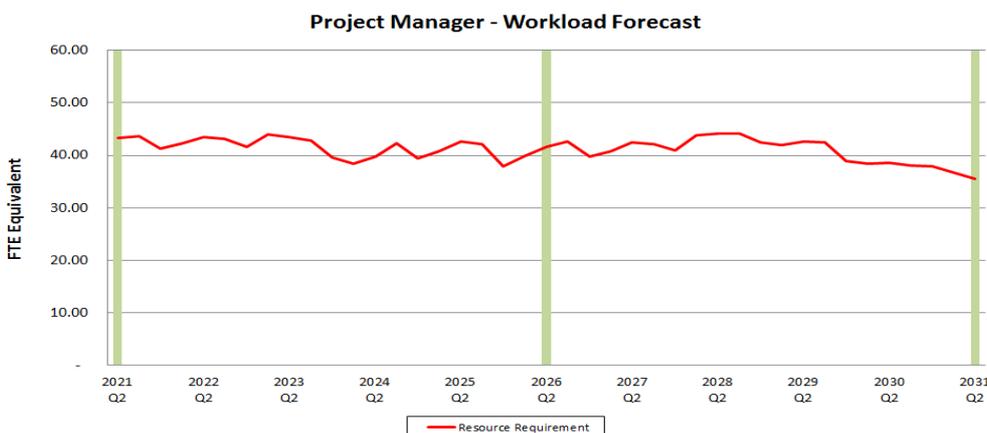


Figure 1: Project Manager workload forecast

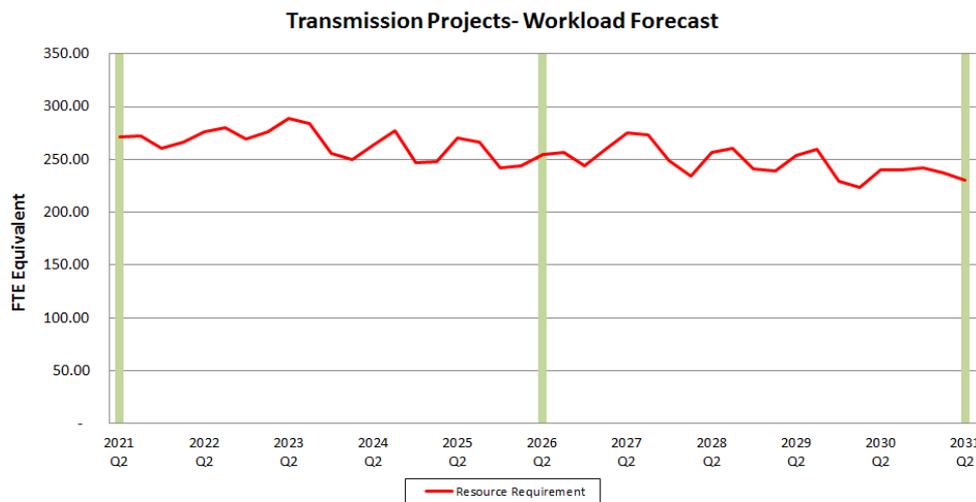


Figure 2: SPT Projects workload forecast

4.2.3 Network operations resource requirements

Network operations activity is split into three distinct areas for resource planning.

- Inspection and maintenance - We apply a bottom up approach for this planned activity starting with asset management policy requirements, working out annual volumes and applying a labour time estimation for each activity.
- Faults and defect management – We use a combination of historic trends and projected changes on our asset base to estimate volume of activity in this area, applying a resource estimate to each category.
- Capital programme support – We have two main resource groups supporting the capital programme, Senior Authorised Engineers and Protection and Control Engineers. For these two groups, to maximise efficiency in our planning and scheduling processes we have only one pool across the whole SPT Business.

Across the three activity areas above we also plan for each of the 13 resource groups within Network Operations (for example Senior Authorised Engineer or Electrical fitter). Figure 3 below shows an example of one of the 13 resource groups, while Figure 4 shows the overall Network Operations workload requirements.

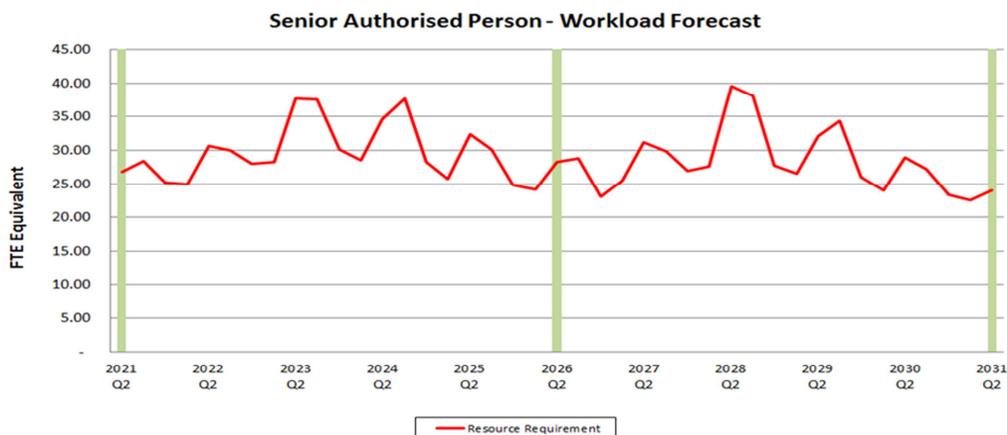


Figure 3: Senior Authorised Person (SAP) workload forecast

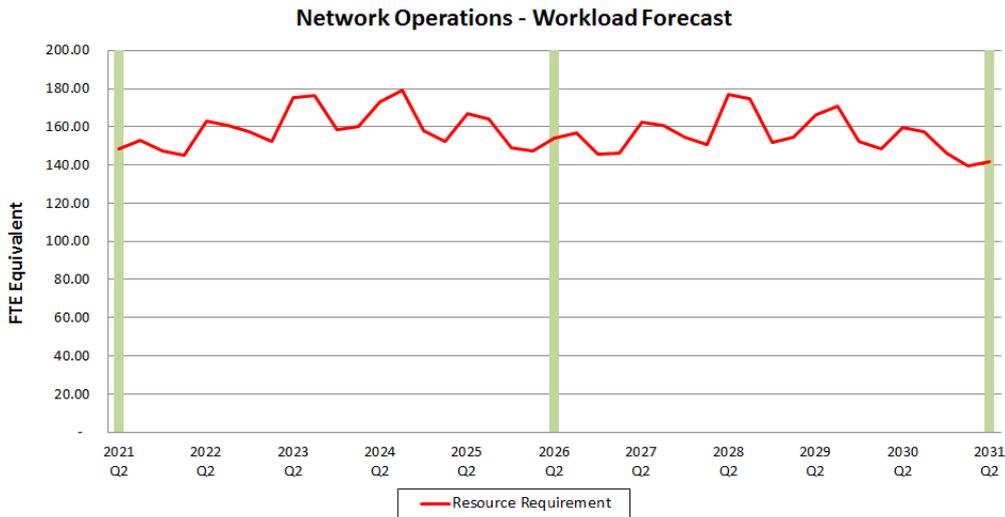


Figure 4: Network Operations workload forecast

4.2.4 Overall SPT resource requirements

In our analysis we have made assumptions on the probability of load growth through the period from 2019 to 2031. For our non-load projection we have also applied a forecast of the scale of the programme out to 2031. We have reviewed the output to look for efficiencies and productivity improvements in all areas to achieve continuous improvement.

The red line on each graph includes agency staff as well as direct employees. The annual peaks visible in the graphs coincide with summer periods where we tend to increase our agency numbers when site activity level is at its highest.

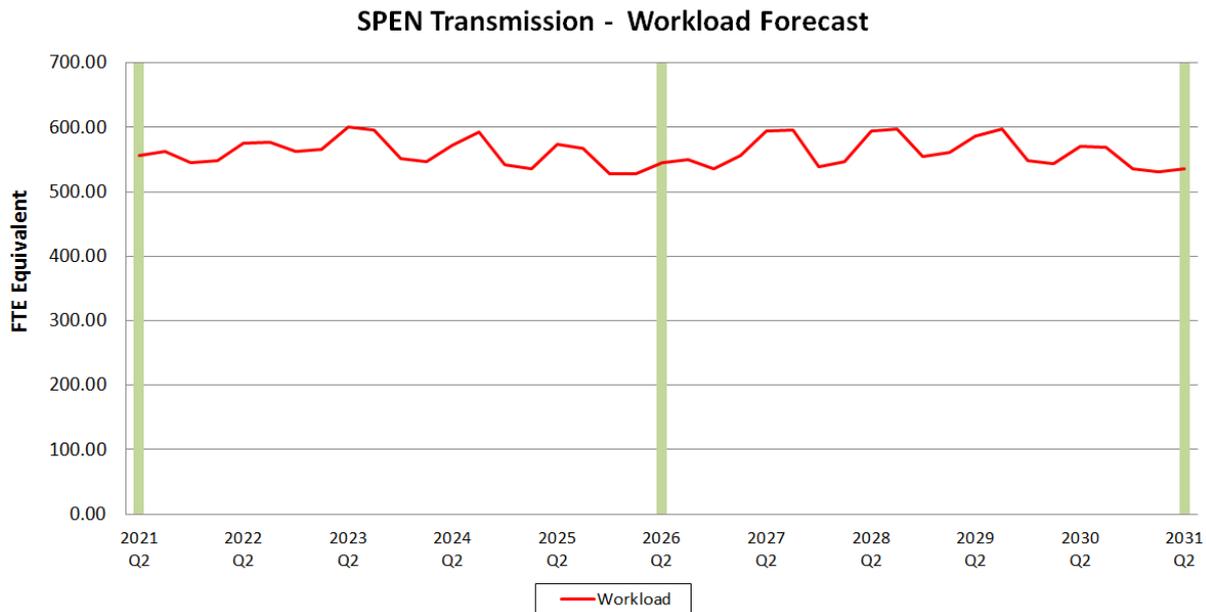


Figure 5: Overall SPT workload forecast

4.3 Additional Workforce Needs

In order to ensure that our workforce plan enables all of the deliverables that are set out in our overall Business Plan, we have undertaken a thorough review to ensure that in all areas where the plan contains significant changes in how the business undertakes its activities from current practice, the workforce implications of these changes are understood and planned for.

This analysis identified the following key changes by significance and, consequently, specific workforce needs requirements for each have been determined and included in the needs assessment:

- Telecommunications
- Cyber Security
- Environment and Sustainability
- Customer Engagement and Commercial Management
- System Operator Interface and Competition Support
- Output Delivery Incentives (ODI) Commitments

4.3.1 Telecommunications

The operational telecommunications network is of critical importance to the reliable performance of SPT's transmission system. It is also a key enabler of technological development across the broader system, with increased digitalisation and enhancements in system monitoring and control.

Service provision, and with it, technical expertise in this area has traditionally been substantially outsourced by SPT. With increasing focus in the T2 period, a review of the overall arrangements for telecommunications has identified that there is value in adjusting the balance between in-house and out-sourced activity. As a result, our workforce plan includes an increase of FTE in the internal staff level, will be offset by reductions in the support from external providers. Additional FTE is also required for the growth of workload.

4.3.2 Cyber Security

As a vital service provider, we recognise the constant evolution in cyber security threats. There has been recent legislation in this area, resulting in the introduction of the Network and Information Systems Regulations, under which we have been designated as an Operator of Essential Services.

Under these regulations, we have carried out an assessment of our current cyber security maturity and this has informed our cyber resilience plan. We are planning to spend up to £6.6m in this area in the T2 period.

We foresee the need to enhance our existing real time systems team by the addition of specialist cyber security resources in order to deliver this programme of work.

4.3.3 Environment and Sustainability.

We are setting out ambitious commitments in our business plan in respect of our environmental and sustainability performance. We are also aware that the expectations of our key stakeholders will continue to ramp up in these areas. We believe that governments' Net Zero targets will place a greater emphasis on the requirements for Environmental and Sustainability; therefore, to ensure we will deliver on our commitments and stakeholder expectations, we believe as well as upskilling of existing staff on our Grantors' Charter, Environment and Sustainability, it is appropriate to ensure that our existing specialist team are effectively resourced to cope with this additional workload. We have identified additional FTE to enhance our capabilities in:

- Operational environmental management
- Environmental and sustainability reporting
- Business carbon footprint management
- Resources and waste management

4.3.4 Customer Engagement and Commercial Management

We put a lot of effort into understanding our customers' needs and into working to meet and, where possible, exceed these. We have seen that the expectations of our connections customers are changing. Following the changes in subsidy arrangements for renewable generation, we have seen significant increases in the volume and intensity of engagements with customers. We believe that we can improve how we interact with them from initial contact through connection completion and into operation and we are actively working on initiatives in these areas. Our analysis has identified the need to invest in additional skills and capacity in this important aspect of our business in order to ensure we can continue to improve how we serve our customer base. As a result, we are planning to expand our customer engagement team by adding new positions in the following areas:

- Customer systems support
- Customer engagement specialists
- Policy and compliance

4.3.5 System Operator Interface and Competition Support

We support and already use competition in onshore transmission where it delivers better outcomes for consumers, provided that it is established in an effective, and legally robust, way. We have constructively engaged with Ofgem on the development of its late competition models. As detailed in our enclosed T2 Competition Plan (Annex 18), we continue to have strong reservations with these late competition models, primarily the extent to which they are deliverable in practice and as to whether they will drive the cost benefits to consumers which Ofgem suggests.

Given that none of these late competition delivery models have yet been established, we remain sceptical that Ofgem can have these regimes in place in time for RIIO-T2. However, it is prudent of us to consider the impact of these new competition proposals in relation to workforce planning for the RIIO-T2 period. This has been particularly difficult, given that the full details of these delivery models have yet to be finalised. However, we do consider that both the CATO and SPV model proposals will have an impact on our workforce requirements for RIIO-T2, when compared to the status quo Strategic Wider Works (SWW) arrangements. We consider that the greatest impact will be in relation to the extensive and experienced legal, procurement, planning and commercial contracting expertise required to deliver high value, strategic projects under these proposed new models.

Although we recognise that this places an additional workload on our business, we are not proposing additional resources as we do not believe this is in the best interests of consumers as this cannot be forecasted accurately (given a lack of clear policy). However, should there be a significant change in Ofgem's competition policy; we expect Ofgem to trigger a re-opener as part of any new competition related licence conditions.

4.3.6 Output Delivery Incentives (ODI) Support

We have proposed various new commitments as part of our ODI package. It is clear there are workforce requirements associated with these new commitments.

To ensure that the future requirements of the business are met, delivered and exceeded against the Ofgem proposals there is a requirement for FTE to support:

1. Increased requirements at the front end of the customer experience
2. Pre-delivery aspects of connections and ensure all customer sensitive requirements on costs, time (programme) & to supplement delivery aspects of TOCOs and TORIs.
3. Increased requirement for a transmission and distribution interface to support delivery of whole system planning and changes as a result of the SCR (Significant Code Reviews being undertaken by Ofgem and BEIS) and Open Networks Project.

Please see Annex 12 for detail on our proposed incentives package and commitments.

4.4 Workforce Needs Analysis Output

The individual analysis and modelling of the Business as Usual and Additional Needs have been combined to give an overall projection of the workforce for the RIIO-T2 period and beyond. This combined model has determined that the optimal stable level for the workforce is 554 FTE (the blue line on figure 6 below). This is required to successfully and efficiently deliver our ongoing customer connections commitments, deliver the T2 load and non-load investment plan as proposed and make necessary preparations for the next RIIO-T3 regulatory period. Our total workforce which includes support staff is 660 FTE.

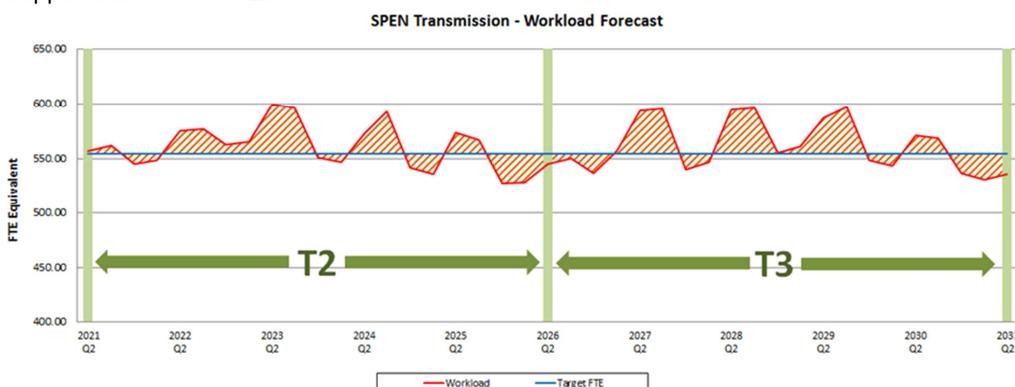


Figure 6: Overall SPT projected FTE

We will update our forecast annually to take into account any changes in trends or the assumptions that we have made. The gap between the red and blue lines will be covered by a residual number of agency staff, we will also annually review the balance between direct staff and agency.

5.0 EXISTING WORKFORCE PROJECTIONS

Following the analysis of the forward workforce needs, the next step is to consider the existing workforce and the impact of retirement age trends and projections, attrition trends and projections and additional skills.

Modelling assumptions:

- A base retirement age of 58 has been assumed, supplemented by individual intelligence for staff currently over the age of 50. This is based on analysis of historic trends and recent changes. It reflects a step change from our previous model observed following the change in Pension Legislation.
- As we move towards the end of RIIO-T2, the percentage of staff in the Scottish Power Defined Benefit scheme, which is an attractive, final salary scheme, will decrease. We believe this could lead to an increase in retirement age above 58 towards the end of RIIO-T2. However, we also believe that we will see a corresponding increase in mobility of staff within the industry and an increase in the staff attrition rates. For the purposes of the model, it has been assumed that these two factors will balance.
- Two attrition rates have been modelled for the RIIO-T2 period based on the recent historic trends in our business and general employment market trends for these types of staff. The operational, support and management areas of our business is modelled with an attrition rate of 1.8% and our capital projects teams at a higher rate of 14%.
- Our Workforce renewal programmes currently last 2-3 years dependent on the programme. In addition to this formal training time, there is also a period of development on the job, as the majority of our employees are highly trained and skilled engineering staff. To reflect this, a 'time to effectiveness' has been modelled to ensure time for training and development in advance of need.

The impact of the above modelling on staff numbers over the business plan period without intervention is shown in Figure 7 below.

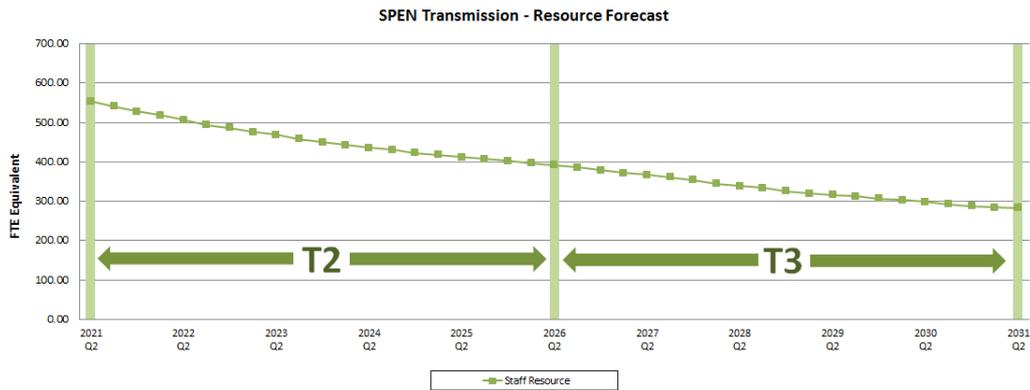


Figure 7: SPT staff attrition and retirement forecast

6.0 GAP ANALYSIS

The reduction in existing staff without intervention can be considered against the forecast workforce needs to establish the gap to be addressed to fulfil requirements.

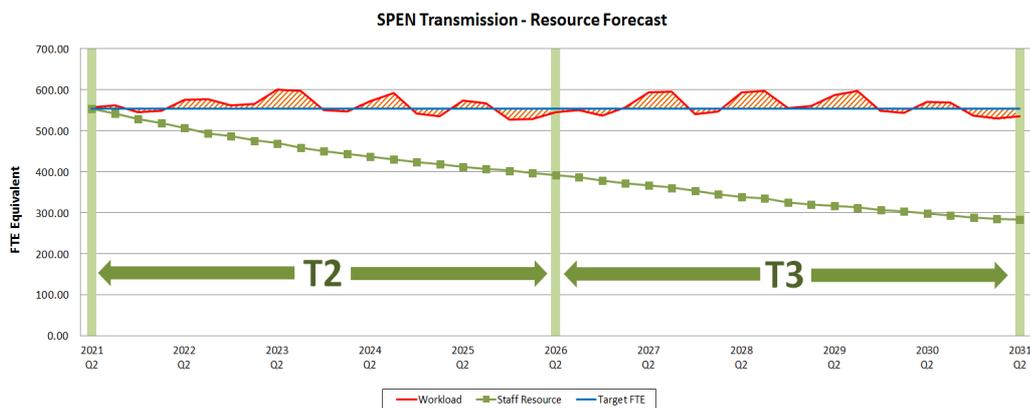


Figure 8: Workload vs. existing staff attrition and retirement

Figure 8 plots the forecast workforce resource needs and associated target staff numbers. The green line plots the projected attrition and retirement impact on staff levels from April '21, without any recruitment action. Our resource strategy needs to be sized and targeted at maintaining the staffing levels for each area of our business to meet the projected work programmes.

From this gap analysis, it can be seen that the estimated number of new SP Transmission appointees required to deliver RIIO-T2 is c.162. This number is estimated to grow to c.271 if we look 5 years beyond the end of RIIO-T2. As discussed in the workforce projections above, this is driven predominantly by a combination of attrition, a high retirement rate across an ageing workforce and a relatively flat demand requirement for ongoing investment in asset replacement and load growth as a result of decarbonisation and additional renewable generation.

7.0 EMPLOYMENT MARKET CONSIDERATIONS

We recognise that the world of work is constantly evolving and that to be in a position to benefit fully from all of the potential human resource that could be available to us as employers, we need to have in place flexible working policies and address inclusion and diversity issues so that we can maintain a position as an employer of choice in the highly competitive employment markets in which we operate.

Currently 10% of the total numbers are existing contingent / agency workers that we use to supplement full time staff. We have an initiative running to review the mix of staff and agency resourcing with the intention of reducing our reliance on agency staff where practicable.

8.0 WORKFORCE PLAN

To ensure that we deliver on our work plans and meet our customers' requirements for years to come, we must have a sustainable, skilled, efficient, capable and motivated workforce. As can be seen from the analysis above, in light of the anticipated number of retirees, leavers through natural attrition and progression of employees into skilled roles, there will be a significant requirement to recruit and train new employees during the remainder of RIIO-T1, RIIO-T2 and beyond.



Figure 9: Implementation of Strategy

Our strategy to address the challenges we face to ensure a resilient workforce now and in the future is based on the following key principles:

- Grow our own talent for the core technical workforce through our workforce renewal programmes
- Selective external recruitment for specialist roles and to manage peaks in attrition
- Recruit locally, train centrally
- Promote our sector to improve attraction of a diverse workforce reflective of our communities
- Re-balance our age demographic through new entry points and training programmes
- Identify and develop the future skills requirements

Historically our core strategy of “grow our own talent” has served us well, however the required increase in new employees identified in the gap analysis means that it is not practicable to resource this purely from trainees and still maintain appropriate levels of support and development for them within the business. A blended approach of grow our own and direct external recruitment will allow us to manage this balance and still provide the support required.

We recognise the benefits of working in partnership with other Industry Bodies to share best practice and ensure a pipeline of talent for the Industry.

- We continue to be a member of EU Skills with representation on the Transmission and Distribution Group and the National Skills Academy for Power (NSAP). Through these groups, we have been part of the Task and Finish Group in the area of workforce resilience, and also a cross-sector working group on workforce planning.
- The Scottish Apprenticeship Advisory Board provides employer leadership and contribution to the development of apprenticeships in Scotland, our CEO Frank Mitchell currently co-chairs this Board.
- Our CEO is also the Chair of Skills Development Scotland.

- We continue to partner with local universities, other organisations such as IET Power Academy and other Industry Companies to promote STEM and attract talent into the industry. This forms a key part of our attraction strategy for our workforce programmes.

8.1 Workforce Renewal Programmes

To support our core strategy of “grow our own talent” we maintain a series of workforce renewal programmes. These programmes are set out below.

8.1.1 Engineering Pre-Apprenticeship Programme

The Engineering Pre-Apprenticeship Programme is available to young people aged 16–19, providing a great foundation and valuable first step into the challenging and rewarding engineering industry equipping them with the knowledge and relevant experience to enhance their skill set and employability. Successful completion of the programme results in NC Electrical Engineering SCQF Level 5. It has served us well during RIIO-T1 as a feeder programme to our Craft Apprenticeship.

8.1.2 Craft Apprenticeship Programme

Our Craft Apprenticeship Programme brings learning and earning together. Not only do our trainees study towards nationally-recognised qualifications, they develop new skills and gain invaluable knowledge and experience. Over the three year period, the programme combines academic study at college, technical training at our in-house training centres and on-the-job learning under direct supervision of time-served staff, to train to become a Fitter or Overhead Linesperson. With an MA in Power Distribution with the following units:

- Certificate in Electrical Power Engineering: Overhead Lines at SCQF level 5 (Competence)
- Certificate in Electrical Power Engineering: Substation Plant at SCQF level 5 (Competence)
- Certificate in Electrical Power Engineering: Underground Cables at SCQF level 5 (Competence)
- City & Guilds SCQF Level 5 Certificate in Electrical Power Engineering (Knowledge)
- Core Skill Communication SCQF 4
- Core Skill Working With Others SCQF 4
- Core Skill Problem Solving SCQF 4
- Core Skill Information Technology SCQF 4
- Core Skill Numeracy SCQF 4

8.1.3 Adult Craft Trainees

Our Adult Craft Trainee programme is a two-year fast track conversion programme for people who have relevant experience from other companies or industries or have already completed an apprenticeship in a related discipline. The programme allows them to retrain to become a Fitter or Overhead Linesperson. It follows a similar format to our Craft Apprenticeship, but over two years not three. This programme forms part of our strategy to rebalance our age profile. The formal qualifications they complete as part of this programme are:

- Certificate in Electrical Power Engineering: Overhead Lines at SCQF level 5 (Competence)
- Certificate in Electrical Power Engineering: Substation Plant at SCQF level 5 (Competence)
- Certificate in Electrical Power Engineering: Underground Cables at SCQF level 5 (Competence)
- City & Guilds SCQF Level 5 Certificate in Electrical Power Engineering (Knowledge)

8.1.4 Engineering Training

This two-year development programme is a key element of our upskilling strategy for our existing field staff. We support our field or technical staff who have already completed an apprenticeship or gained technical experience and want to progress to become an engineer. As a pre-cursor to the 2 year programme, we support participants through further education to gain a HNC in Electrical Engineering and beyond that to gain practical experience on our two year engineering training programme.

The programme is a mix of technical training and on the job training, shadowing experienced engineers to develop core engineering skills.

8.1.5 Graduate Programme

We recruit graduates each year onto our two-year graduate programme. Our Graduate Engineering programme is IET accredited and we also have a number of specialist two year programmes for other professional disciplines including technical, economic, data analytics and sustainability.

8.2 New Programmes

A number of new programmes are under development which will feed into RIIO-T2. These new programmes broaden the skill range within our “grow our own” strategy and reflect areas where we have had difficulty recruiting or retaining key skills for our disaggregated delivery model. Details of the new programmes are given below.

8.2.1 Site Manager/ Construction Manager

A programme for Site Managers is being developed. This is intended to be an upskilling programme for people with some experience and will be of 2-3 years duration depending on experience. Consideration is being given to the formal qualifications that would be appropriate for this programme. The intention is that this programme will lead into further development to become Construction Managers.

8.2.2 Project Manager

A degree level programme to develop Project Managers capable of managing multi discipline, multi-million pound construction projects. We are currently considering two options for this programme, one is a graduate programme for students graduating with a degree in Project Management, and the other is a degree apprenticeship in Project Management.

8.2.3 Quantity Surveyors

We have previously recruited trainee Quantity Surveyors onto a graduate programme within other parts of SPEN. We are considering whether to extend this within our transmission business or to introduce a degree apprenticeship in Quantity Surveying. Quantity Surveyors specialised in the electricity industry are essential to support efficient delivery of our programmes.

8.3 Implementation of Strategy by Resource Type

The plan aligns role types to different methods of recruitment, recognising that there is also internal development and promotion with more senior posts, contributing to the overall numbers of trainees.

Table 2 below summarises the total recruitment requirement over the 5 year RIIO-T2 period, to address the gap analysis. There is a need to recruit 162 new employees over the period, the profile being relatively linear. The 'Grow our Own' strategy is reflected in the proposed split between graduate and external recruitment.

Table 2: Split of proposed recruitment method against projected work requirement

Grouping	Intake During T2	Internal Recruitment/Promotion	Graduate Intake	Apprenticeship Programmes	External Recruitment
Management	17	13	13	-	4
Specialist Operational	21	-	19	-	2
Project Management	25	-	15	3	7
Professional Engineer	28	-	23	-	5
Construction Management	26	6	-	11	15
Industrial Support	10	-	-	9	1
Support	35	8	10	7	18
Total	162	27*	80	30	52

**As there are 27 promotions, 27 roles have been added to feed the pipeline (Apprentices, Graduates, External)*

For each of the 37 resource categories described earlier and used to predict workload requirements, we have categorised each of the categories to derive the 7 groups in table 2 above.

Within our workforce plan, it is essential that the 'time to effectiveness' is considered i.e. the time taken from recruitment for each role to be effective in the role. Some specialist roles, for example 'Senior Authorised Persons' or 'Protection and Control Engineers', can take many years to train new employees and are achieved through ongoing upskilling and development of staff. The time to effectiveness dictates the timing of recruitment ahead of need.

Table 3 below takes into account our predictions on 'time to effectiveness', recruiting graduates and apprentices early enough to enable them to fill key roles when the requirement arises. The recruitment totals are greater than the requirements as they include some recruitment in advance of RIIO-T2 and estimated recruitment for RIIO-T4. During the RIIO-T2 period our projected recruitment rises to approximately 32 per year to meet the overall need highlighted in table 2.

Table 3: Recruitment Incidence

Incidence of External Recruitment		20	21	22	23	24	25	26	27	28	29	30	31	TOTAL
Graduates	Requirement	-	-	16	16	16	16	16	16	15	15	15	15	156
	Recruitment	10	16	16	16	16	16	15	15	15	11	11	11	168
Apprentices	Requirement	-	-	6	6	6	6	6	5	4	4	4	4	51
	Recruitment	6	6	6	6	6	5	4	4	4	4	4	4	59
External Recruitment	Requirement	-	-	12	10	10	10	10	3	3	3	2	2	65
	Recruitment	-	10	10	10	10	10	10	3	3	3	2	2	73

8.4 Values to deliver a better future

We are ambitious about creating a business environment that is inclusive of everyone and is reflective of our communities. We've made a great start to removing barriers and introducing policies that support maintaining a positive balance between work and non-work commitments. However, we know we still have a lot of work to do to create a truly inclusive culture that will enable us to attract and retain a diverse workforce to meet our current and future skill requirements.

Through our work with EU Skills, we are aware that around 1% of higher education leavers choose to enter the UK energy and utilities sector, with fewer than 5% of engineering graduates employed within it, compared to the retail sector which attracts twice as many science, technology, engineering and maths (STEM) graduates. The lack of diversity in the energy and utilities workforce is also notable and while progress has been made, the sector still has lower than national average representation in key gender and ethnicity groups¹.

Our ongoing work with EU Skills has seen us actively supporting the "Inclusion Commitment" launched in February 2019 as well as proactively sharing best practice insights and solutions across the energy and utilities sector.

Going forward we will build on this platform by:

- Continuing to develop and implement initiatives to improve education and awareness on diversity and inclusion both internally and externally
- Incorporating inclusive leadership through our leadership training and mentoring interventions
- Aligning our policies and approaches to improve inclusive practices such as flexible working and removing barriers for all employees.

We are also creating an innovative approach to working at SP Energy Networks by introducing a range of newly designed working spaces, initially in the SP Headquarters, and a focus on a variety of ways to work called Activity Based Working, allowing a more flexible and agile way to work. This change will bring a Better Balance to work and home life and also help our employees and teams to organise work better around business requirements, projects, personal needs and goals.

8.4.1 Inclusion and Diversity Strategy

Our inclusion and diversity strategy focuses on three main areas. The first is increasing our efforts to break down gendered barriers, both in challenging the gender pay gap and ensuring we are encouraging more women to enter careers in STEM industries. We have done this through:

- Changing the way that we recruit and select
- Inspiring and encouraging young people, especially girls, into STEM careers
- Developing and advancing talent

Our second focus is building and supporting employee-led networks. This included the establishment of four networks, each of which has an executive sponsor, an annual plan of initiatives and a budget assigned to support with development. The four networks are:

- Future Connections: diverse talent development programme with 200 young members
- In-Fuse: 170 LGBT+ community members and allies
- Connected Women: supporting and inspiring more than 100 female employees
- ScottishPower Carers: going the extra mile for 100 employees who are carers alongside their ScottishPower work

In September 2019, we launched our first Multi Ethnic employee network.

Our third focus is challenging barriers and raising awareness about disability in the workplace. Efforts in this area have been concentrated on two major projects:

¹ ENERGY AND UTILITIES WORKFORCE RENEWAL AND SKILLS STRATEGY:2020, EU Skills
<https://www.euskills.co.uk/downloads/workforce-renewal-skills-strategy-2020/>

- Breaking Barriers – a partnership with Enable Scotland and Strathclyde University to deliver an award-winning programme combining further education and work placements to build the confidence and skills of young people with learning disabilities.
- Mental Health First Aid training – a programme to raise awareness and provide proactive, informed support to colleagues when they need it. Over 250 volunteers have already been trained. Within the Transmission Business we currently have 13 in place. The aspiration is to have as many mental health first aiders as physical first aiders.

8.5 Inclusion and Diversity Plan

Our Inclusion and Diversity Plan focuses on direct initiatives that help us realise our vision. These plans target the key areas of education, leadership and attraction.

8.5.1 Our Values

We want to inspire our employees with our vision of being the 'Utility of the Future'. The Iberdrola Group recently re-launched its values which underpin its strategy to bring the company closer to people, society as a whole and its stakeholders. These values will help us attract the skills and talent that we need to deliver the business' objectives and also motivate our existing employees to deliver the highest levels of performance.



Figure 10: Iberdrola Values

We expect our employees to show their commitment to putting safety first, acting ethically and responsibly in everything that they do, and always consider the positive impact of their actions for our customers, society and the environment. With this focus on being sustainable, our employees are responding to the changes happening externally both globally and in our local communities.

Working together, we encourage our employees to build strong, trusted relationships and share information and knowledge across the organisation. This approach to being collaborative means that we embrace diverse thinking and value individual differences and the insights they bring.

We also recognise that in responding to the challenges of our external environment we need to foster a culture of innovation where employees are curious and resilient and think disruptively and creatively. Being dynamic means that the business will be focused on continuous improvement and anticipating the needs of our customers, adopting new ways of thinking and technology to our processes.

Our values demonstrate that we are committed to being a place where people want to work and where our employees all work together to support their colleagues and deliver a great service to our customers and stakeholders. Focusing on our values and what they mean will help us to continue to create the culture we need to drive the organisation forward.

Through our annual employee engagement survey, 'The LOOP', we also ask for feedback from employees on what matters to them working within the ScottishPower group. This feedback helps us to focus on the priorities and opportunities for change that enhance the employee experience for our staff.

In order to activate and embed our values across the organisation, we are developing a framework for all line managers to engage with their teams on what the values mean for them and to help them generate ideas and plan activities around the behaviours underpinning the values that they will own and deliver. This framework will be a programme of 'team talks' that managers will have with their teams to discuss what the values mean to them, discussing the team's vision for the future and agreeing the actions that the team can take together to create a better future, quicker. The programme will roll out over a 12-18 month period in 2019 and 2020 and will be supported by the senior leadership team and a network of local champions.

8.5.2 Recruitment

We have been changing the way we recruit and select to identify and remove potential barriers through:

- Recruiting manager training – unconscious bias training for all recruiting managers.
- Gender balanced shortlists & interviews – we've piloted gender balanced shortlisting and interview panels and we plan to build on what we have learned to date.
- Advertising vacancies differently – all our recruitment adverts are designed to remove gender specific terminology to ensure our job adverts appeal to a broader spectrum of potential applicants.
- Supporting STEM female returner placements

8.5.3 Leadership

We are raising line manager awareness through:

- A front line leadership programme for new line managers- specific training on unconscious bias. Over 40 new managers have completed the programme with a further 70 completing this year.
- Leadership tools- incorporating practical guidance on diversity and inclusion into our existing training programmes for managers
- Policies and approaches- implementing techniques to identify opportunities to improve inclusive practices such as flexible working and inclusive selection.

8.5.4 Attraction

As an industry, we know we still have a long way to go to achieve gender equality. Our 2018 gender pay gap underlined that the average total earnings of all men employed by ScottishPower is greater than women. This is driven by two key factors:

- More men than women in senior roles.
- More men performing technical roles that command a premium in the market.

At ScottishPower, we always ensure men and women are paid equally for doing the same job so our gender pay gap is not a result of unequal pay. To support female employees, we have adapted criteria for development programmes to increase the number of relevant female applicants.

We have also taken the following steps to increase talent attraction:

- We've engaged an independent auditor to review our selection process to remove bias.
- We've commissioned an external review of our careers website to ensure its appealing to the broadest range of talent.
- Our early careers team engaged with school age girls and boys through a range of STEM initiatives that reached almost 21,000 children in 2018.
- Running a fourth year of our STEM Returners Programme to candidates who have taken a career break of two years or more from the STEM sector and who are looking to get back into the workplace.

We have also extended our rugby partnerships to support more women in sport. This includes becoming the first shirt sponsor of the Scotland Women's national squad. At the sponsorship launch SP Energy Networks CEO commented:

"SP Energy Networks is committed to supporting women and girls in our workplaces, through our apprenticeships, women returners' programmes and through STEM education in schools, colleges and universities, and our deal with Scotland Women's rugby is an extension of that. We're delighted that Scottish Rugby will ensure that the key work we do in the communities we serve will be amplified. The players will be great ambassadors of our messages when they visit schools across the central belt of Scotland."

9.0 WORKFORCE FORECASTS SENSITIVITY ANALYSIS

There are many changing factors in the work place environment and the wider society that may impact on our forecasts.

9.1 Variation in Attrition Rate

Following the re-integration of the former Iberdrola Engineering and Construction Networks UK (IEC Networks UK) Business back into SP Energy Networks during 2018 our strategy for a disaggregated project delivery model has the advantage of improved continuity, control and visibility of employees who would be otherwise in an EPC contractors' organisation. However, this model does expose the company to higher levels of attrition, typically around 14%, which is in line with rates in the wider engineering construction sector and may be influenced by changes within the wider construction industry.

Other external factors such as changes in work programmes in the industry (for example other TO or DNO programmes) or an economic upturn could also impact on the overall attrition rate modelled. We do not currently anticipate any other major external factors, for example HS2, which would draw significant resource away from our business

For other staff, we have also observed a change in behaviours over recent years with new employees more likely to be mobile, trying out several roles and companies unlike in the past where the vast majority of new employees saw the company as an employer for life.

9.2 Variation in Retirement Rate

The age profile of our staff is not linear and we have a significant number of staff at or approaching pensionable age. Greater freedom with pension funds introduced in 2015 have seen a higher than expected number of employees leaving on or soon after 55 years of age, particularly for staff who have long service with defined benefit pension funds. This trend has been reflected in our revised retirement forecast, however, as the number of staff in defined benefit pension schemes reduces, this trend may reverse. Further changes in pension legislation have not been modelled but could potentially impact on retirement rate.

9.3 Brexit

Within SP Energy Networks, and in particular the SP Transmission Business, we have a wide diversity of international employees from both the EU and beyond. This is particularly pronounced within the projects division. This diversity has brought with it great benefits in the breadth of thinking and skills within the organisation, and improved availability of resource. However, it is unclear what impact Brexit will have on our attrition rate and our ability to continue to recruit from this international pool.

9.4 Demand and Generation Growth

Load growth assumptions are reviewed on an annual basis to consider trends analysis, UK projections on renewable generation and other external factors.

Changes to UK subsidy arrangements for renewable generation could result in significant variations to the estimated onshore and offshore generation connections out with the boundaries of the future energy scenarios on which our estimates are based, as could significant acceleration of the decarbonisation of transport and heating.

10.0 WORKFORCE RESILIENCE MEASURES

We believe that, in order to provide a holistic measure of workforce resilience, a range of different factors must be considered. We currently measure and report internally on a number of detailed factors including:

- Age profile of staff, retirees and attrition
- Trainee recruitment and transfer into business on completion of training
- Inclusion and diversity
- Performance against plan; accuracy and realisation

We have proposed additional internal measures in key areas such as critical roles time to effectiveness – numbers of staff forecast to retire within the time to effectiveness window against trainees

Our current policy and ongoing intention is to monitor movement dynamically, providing a mechanism to react quickly to major changes with a full review in detail annually, adjusting our future plans in line with any amended view on attrition and skill gaps.

We also have a long-standing commitment to safeguarding the health and wellbeing of our people. Among the many health and wellbeing services we provide, our ongoing campaign on Mental Health Awareness highlights a commitment to a rounded and innovative approach toward health and wellbeing.

Through this programme, we have taken a proactive approach to get all employees talking and thinking about mental health. The key elements behind delivering this positive change in culture have been:

- Senior leadership support
- Educating and informing all staff about mental health
- Promoting mental health as equal to physical health
- Establishing the Mental Health First Aid programme

11.0 CONCLUSIONS

To ensure that we deliver on our work plans and meet our customers' requirements for years to come we must have a sustainable, skilled, efficient, capable and motivated workforce. Our structured process of establishing our workforce needs, analysis of the impact on our existing staff to ascertain the workforce gap that must be addressed gives us the information we require to deliver this through our workforce plan and programmes.

Underpinning our approach is our commitment to our values and our staff through our Inclusion and Diversity plan to create a truly inclusive culture that supports our employees to reach their full potential.

As can be seen from the analysis set out in this annex, in light of the anticipated number of retirees, leavers through natural attrition and progression of employees into skilled roles, there will be a significant requirement to recruit and train new employees during the remainder of RIIO-T1, RIIO-T2 and beyond. As a consequence the level of investment in recruitment and training required to ensure that the right resources are in the right place at the right time will continue to be significant.