#### OUTPUTS MONITORING GROUP

#### DRAFT OUTPUT MONITORING REPORT: Quarter 2 2015-16

**1. Introduction**

This document summarises what has been achieved for customers against Scottish Water’s Delivery Plan for the 2015-21 period and confirms the position up to the end of September 2015 (Quarter 2 2015/16). It has been prepared for the Output Monitoring Group (OMG) which was set up by Ministers to monitor and report on the delivery of their [Objectives.](http://www.scotland.gov.uk/Resource/Doc/917/0088613.pdf)

The Output Monitoring Group comprises the main stakeholders in Scotland’s water industry: Scottish Government, Scottish Water, Citizens Advice Scotland, Scottish Public Services Ombudsman and the regulators (the Water Industry Commission for Scotland, the Scottish Environment Protection Agency and the Drinking Water Quality Regulator). It is chaired by Scottish Government and operates under a Terms of Reference agreed by Ministers.

**1.1 What We Monitor**

Each quarter the OMG assesses Scottish Water’s progress with the delivery of outputs using a metric, Overall Measure of Delivery (OMD), to measure Scottish Water’s progress against targets agreed in its Delivery Plan.

Delivery progress is also monitored against the outputs agreed for individual programmes in Scottish Water's Delivery Plan, as shown in the following sections:

* Section 2: Providing continuous high quality drinking water (includes drinking water quality, reliability and security of supply).
* Section 3: Protecting and enhancing the environment (includes flood risk management).
* Section 4: Supporting economic development (includes climate change and improving the long term cost of service).
* Section 5 covers progress of projects due but not delivered by 31 March 2015.

A further set of outputs, including customer service measures, are reported annually at the end of each financial year.

Each section explains where a programme area is ahead or behind and, if behind, the remedial actions being taken by Scottish Water.

**1.2 Summary**

The key points to report on output delivery in the period up to the end of September 2015 (Quarter 2, 2015-16) are:

* The overall measure of delivery (OMD) position was 41.1 points in Quarter 2, an increase of 8.9 points from the Quarter 1 position of 32.2. The OMG notes that performance has been slower than anticipated, but forecasts that OMD will recover and be within, or above, the target range at March 2016.
* Providing continuous high quality drinking water: Scottish Water forecasts that 10 outputs, across 5 programme areas, will achieve regulatory sign-off by March 2016, in line with the Delivery Plan target. The ‘2010-15 outputs planned to complete in the 2015-21 period’ programme is forecast at risk of not achieving its year end Delivery Plan target. Additional monitoring arrangements have been put in place to give assurance to the Drinking Water Quality Regulatory on the progress being made in delivering those outputs required to improve drinking water quality compliance.
* Protecting and enhancing the environment: Scottish Water forecasts that a total of between 53 and 57 environmental outputs, across 6 programme areas, will achieve regulatory sign-off by March 2016, against a Delivery Plan target of 48 outputs. The ‘Glasgow completion’ programme is forecast not to achieve its year end Delivery Plan target due to the on-going complexities in this programme area. The OMG has asked Scottish Water to propose a revised delivery profile to take account of the more accurate delivery forecasts now available.
* Projects due to have been completed by March 2015: during Quarter 2 Scottish Water has completed 6 of the 37 projects that were outstanding at March 2015, against a forecast of 20. Scottish Water forecasts that between 21 and 25 outputs will achieve regulatory sign-off by March 2016, against a Delivery Plan target of 28.

The OMG has highlighted its concerns to Scottish Water regarding the progress being made in some programme areas, including the Glasgow programme, and has welcomed Scottish Water’s initiative to review all programme delivery dates to ensure they reflect latest understanding now that delivery arrangements are fully in place.

**1.3 Overall Measure of Delivery (OMD)**

The Overall Measure of Delivery provides a high level measurement of Scottish Water’s progress against its Delivery Plan; it assesses the progress of the investment outputs monitored by OMG across each of the five key delivery milestones, combining this information to give an overall score. Progress with delivering late projects from previous investment periods and demand led schemes (such as new capacity to support economic growth) are not included in the OMD.

At the beginning of the programme the OMD score starts at zero and at 31 March 2021 should reach 250[[1]](#footnote-2) points confirming that all outputs monitored have been delivered. Performance is considered to be ‘on target’ if it is within 2.5% of the agreed OMD score. At the end of September 2015 Scottish Water’s OMD position was 41.1 points, an increase of 8.9 points from the Quarter 1 position of 32.2. Scottish Water notes that performance has been slower than anticipated, but forecasts that OMD will recover and be within, or above, the target range (72.9 to 76.7 points, the midpoint being 74.8[[2]](#footnote-3)) at March 2016. This performance is illustrated in Figure 1.

**Figure 1 – Overall Measure of Delivery 2015/16**

While some programme areas are ahead and others behind, overall delivery as measured through the Overall Measure of Delivery (OMD) has been slower than expected in Scottish Water’s Delivery Plan in Quarter 2 principally as a result of continuing challenges in the Glasgow environment programme. While Scottish Water is actively seeking to accelerate other elements of the programme, at this early stage this is being balanced against:

* additional time taken to promote projects to delivery, as projects progress through Scottish Water’s new Intervention Definition Process to ensure projects have been scoped correctly; and;
* bedding in of new investment processes and delivery partners.

In discussion with the OMG stakeholders, Scottish Water is proposing to undertake a review of the forecast profile of output delivery across all programmes to ensure they reflect latest understanding now that delivery arrangements are fully in place. Based on this review, and in agreement with OMG, the baseline profiles for a number of programmes may be updated as part of the annual Delivery Plan refresh in early 2016.

**1.4 RAG Status**

The following colour coding is applied to the forecast in the output delivery tables, using the definitions outlined below:

|  |  |
| --- | --- |
| **Red** | Progress is behind target and there is no prospect of recovery over the year |
| **Amber** | At risk of not delivering the output within the year |
| **Green** | On or ahead of programme, or if off track will recover within the year |
| **Blue** | Output complete |

**2. Providing continuous high quality drinking water**

Scottish Water has initiated work associated with the 10 programme areas in the table below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Objective** | **Quarterly monitored programme areas** | **Q1 Actual** | **Q2 Actual** | **Year end Target** | **Forecast year endstatus**  | **Total Number of outputs over the regulatory period**  |
| Drinking water quality and reliability | Number of water treatment works improved  | 0 | 0 | 0 | 1 | 28 |
| Number of zones made compliant with iron & manganese standards | No outputs are planned to achieve regulatory acceptance in 2015/16 | 88 |
| Number of raw water catchments to improve reliability of supply  | 47 |
| Number of enhancements to improve reliability of supply | 81 |
| Distribution mains cleaned (km)  | 5,928 |
| Number of water quality etc studies to inform future periods  | 341 |
| 2010-15 outputs planned to complete in the 2015-21 period  | 0 | 0 | 5 | 4 | 23 |
| Drinking water security of supply | Water supply resilience strategy and improvements made  | 0 | 0 | 1 | 1 | 14 |
| Number of zones with improved security of supply (SOSI)  | 0 | 0 | 0 | 1 | 11 |
| Number of security measures and improvements to the infrastructure of critical reservoirs  | 0 | 0 | 3 | 3 | 689 |

Outputs are forecast this year in 5 programme areas,

**Programme specific explanations:**

**Number of water treatment works improved**

A total of 28 outputs are scheduled to deliver within this programme, delivering benefits to around 789,000 customers. Scottish Water forecasts that at the end of 2015/16, 25 of these outputs should have completed feasibility stage against a baseline of 26. Back Tolsta in Stornoway supplying around 1,500 customers is currently forecasting to extend into 2016/17. In response to the Drinking Water Quality Regulator’s concerns, Scottish Water is working to identify opportunities to bring the programme back on track and to start on site at 10 works by the end of 2015/16 as planned.

**2010-15 outputs planned to complete in the 2015-21 period**

This programme area is at risk of not achieving its year-end output target. In order to achieve the year-end output target Scottish Water requires the delivery of Carron Valley RSZ & Daer A RSZ output. All construction work on Carron Valley has been completed and the project is in the sampling and monitoring stage. Daer A was delayed to accommodate local business and community requests to avoid construction in the pre-Christmas period.

**3. Protecting and enhancing the environment**

Scottish Water has initiated work associated with the 10 programme areas in the table below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Objective** | **Quarterly monitored programme areas** | **Q1Actual** | **Q2 Actual** | **Year end Target** | **Forecast year endstatus**  | **Total Number of outputs over the regulatory period**  |
| Protecting and enhancing the environment | Number of WWTWs improved to meet UWWTD | 4 | 5 | 0 | 6 | 22 |
| Number of waste water networks improved to meet UWWTD  | 0 | 0 | 0 | 4 | 62 |
| Number of improvements required to meet UWWTD - Glasgow completion  | 0 | 6 | 36 | 25 - 29 | 94 |
| Number of improvements required to meet the Water Framework Directive  | No outputs are planned to achieve regulatory acceptance in 2015/16 | 21 |
| Number of improvements required to meet the revised Bathing Waters Directive  | 12 |
| Number of environmental studies to inform future periods  | 0 | 0 | 1 | 1 | 131 |
| Number of improvements required by the Compliance Assessment Scheme; odour reduction and sludge management  | 5 | 6 | 2 | 8 | 40 |
| 2010-15 outputs planned to complete in the 2015-21 period  | 0 | 1 | 9 | 9 | 16 |
| Flood risk management | Number of improvements to dams | No outputs are planned to achieve regulatory acceptance in 2015/16 | 45 |
| Number of catchments improved to meet the requirements of the Flood Risk Management Act | 218 |

Outputs are forecast in 6 programmes this year.

**Programme specific explanations:**

**Number of improvements required to meet UWWTD - Glasgow completion**

Scottish Water planned to deliver 36 outputs in Glasgow, initiated in the 2010-15 period, for completion during the 2015-16 and forecasts that regulatory sign off will be achieved at between 25 – 29 outputs by March 2016. These outputs will reduce the impact of discharges to the River Clyde and its tributaries. As previously reported, Scottish Water has experienced delays to previously planned dates due to the complex nature of the programme and the solutions required. Third party issues and phasing linked to integrated catchment solutions have also resulted in delays as projects mature and solutions are developed and agreed formally with SEPA. The OMG has asked Scottish Water to propose a revised baseline in its Delivery Plan update in February 2016 to reflect the on-going complexities in this programme and to take account of the more accurate delivery forecasts now available.

**4. Supporting economic development**

Scottish Water has initiated work associated with the 6 programme areas in the table below.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Objective** | **Quarterly monitored programme areas** | **Q1 Actual** | **Q2 Actual** | **Year end Baseline** | **Forecast year endstatus**  | **Total Number of outputs over the regulatory period**  |
| Supporting economic development | Number of new connections to households and businesses | 3,842 | 8,188 | demand driven | demand driven | 56,500 |
| Delivery of new waste water capacity for 58,000 people | 0 | 0 | demand driven | demand driven | 58,000 |
| Number of first time non domestic meters installed  | 1,902 | 2,520 | demand driven | demand driven | 18,000 |
| Number of wholesale meters  | 1,904 | 2,828 | 13,332 | 10,000 | 84,000 |
| Climate change | Number of climate change vulnerability assessments  | 0 | 0 | 2 | 3 | 122 |
| Long term cost of service | Improvements in renewable power and energy efficiency (GWh)  | 0.94 | 0.94 | 0 | 1.64 | 25.00 |

[Note the following programme areas are not included in the table and are subject to annual reports on delivery: Number of developer constructed assets adopted; Relocation of services due to transport infrastructure projects; Customer Contact management and communications; Research and Innovation].

**Programme specific explanations:**

**Number of wholesale meters**

Scottish Water assumed in its Delivery Plan that the wholesale metering programme would be delivered evenly over the 6 year period 2015-21. With the contractors in place, Scottish Water now has a clearer view of how it intends to achieve the programme and has revised its delivery profile over the 2015-21 period. It will present this revised profile as part of its Delivery Plan refresh, with 10,000 being the year-end target for 2015-16.

**5. Quarterly progress on projects due but not delivered by 31 March 2015**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Q12015/16** | **Q22015/16** | **Q32015/16** | **Q42015/16** | **2016/17** | **2017/18** | **2018/19** |
| Target completion | 8 | 20 | 23 | 28 | 32 | 35 | 37 |
| Latest forecast completion range | 4 | 6 | 6 - 10 | 21 - 25 | 29 - 32 | 33 - 35 | 36 - 37 |

Scottish Water started the 2015-21 period with 37 projects from the previous programme which were due but not completed by March 2015. Scottish Water has achieved regulatory sign-off for 6 projects at the end of Quarter 2. While this is significantly fewer than the 20 projects anticipated at the end of September, a further 9 projects had achieved water into supply/beneficial use with two more projects in commissioning. Scottish Water remains focussed on delivering the projects due to have been completed by March 2015.

**6. Conclusion**

The OMG notes the progress being made and that, at this early stage in the investment period, a number of programme areas, including in the Glasgow programme, are behind schedule. The OMG recognises that Scottish Water is seeking to accelerate other programme areas and that this is being balanced against the additional time taken to progress projects through Scottish Water’s new Intervention Definition Process and establish new investment processes and delivery partners.

The OMG has highlighted its concerns to Scottish Water regarding the progress being made in some programme areas and welcomes Scottish Water’s initiative to review all programme delivery dates to ensure that they reflect latest understanding now that delivery arrangements are fully in place.

**Glossary of Terms**

|  |  |
| --- | --- |
| Assets | Physical plant and equipment used to produce and transfer water, to collect and treat waste water such as water treatment works and water mains, sewers and sewage works etc. |
| Climate Change Adaption and Mitigation | ‘Adaptation’ is the action taken by Scottish Water to increase the resilience of its assets to climate change variability and extremes whereas ‘mitigation’ is the steps to permanently eliminate or reduce its carbon emissions associated with its activities. |
| Delivery Plan | Scottish Water’s annual statement of investment outputs and financial targets.  |
| DMA | District meter areas (DMA) help to identify any localised leakage by the installation of online flow monitors.  |
| Intervention Definition Process (IDP) | Scottish Water’s process to identify scope options and select preferred option to achieve the outcome required. |
| IR18 | Rolling Investment Review 2018 to consider priorities and outputs for the 2018-21 period and beyond. |
| Leakage | The water lost from Scottish Water’s network of water pipes and its assets (service reservoirs etc.) between putting water into supply and it arriving at customer taps.  |
| Ministerial Objectives | A statement of requirements (deliverables) set out by Scottish Ministers.  |
| Outputs | Tangible deliverables, such as an improved waste water treatment facility, which benefit customers, the environment or both.  |
| Output Monitoring Group (OMG) | Representatives of Scotland’s water industry who are accountable for the monitoring the progress of output delivery.  |
| Overall Measure of Delivery (OMD) | The metric used to assess Scottish Water’s delivery of its investment-related outputs. |
| Overall Performance Assessment (OPA) Score  | A comparative overview of company performance which is calculated each year. It covers measures of water supply, sewerage service, customer service and environmental performance. |
| UID | Unsatisfactory Intermittent Discharges. An overflow on the sewer network that requires to be improved so as to meet environmental standards for the water body into which it discharges or which it affects. |
| UWWTD | The Urban Waste Water Treatment Directive is a European Union directive concerning the "collection, treatment and discharge of urban waste water and the treatment and discharge of waste water from certain industrial sectors". |
| WWTW | A waste water treatment works (WWTW) treats waste water before returning it to the environment. |

1. 24 points relate to outputs that will be confirmed in the investment review scheduled for 2018. [↑](#footnote-ref-2)
2. The OMD range has been updated to reflect the Quarter 2 Technical Expression changes, and the UID position to reflect out-turn position at 31 March 2015. [↑](#footnote-ref-3)