

Progress report on performance against the Committed List:

Quarter 2 2021-2022

February 2022

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This document sets out how Scottish Water is progressing with the delivery of projects and sub-programmes included on the 'Committed List' and confirms the position up to the end of September 2021 (Quarter 2 2021-22). It has been prepared for the Delivery Assurance Group (DAG), a group set up by Ministers to provide assurance and report on the delivery of their Objectives.

What We Monitor

Each quarter Scottish Water reports to DAG on its progress with the delivery of projects and programmes included in the Committed List through four lenses as follows:

Section 1: Indicator of Progress of Overall Delivery (IPOD): to provide reassurance to stakeholders on the extent to which overall progress of projects on the Committed List are in line with the forecasts set out when the projects were committed to delivery.

Section 2: Management Approaches (MAs) progress overview: to provide stakeholders with a view on the progress of delivery at Management Approach level and to highlight any areas where the progress of delivery is of concern within the overall programme.

Section 3: Large projects progress (or projects that are novel, strategic or contentious): to provide stakeholders with a view of the extent to which larger projects or projects that are novel, strategic or contentious are progressing through milestones in line with the forecasts set out when these projects were added to the Committed List.

Section 4: Summary of key projects of interest: containing a summary of the output of bilateral Scottish Water/Stakeholders sessions (e.g. Joint Development Groups) highlighting by exception those key projects of interest that may not be progressing in line with the forecasts set out when these were added to the Committed List.

The summary below also provides stakeholders with quarterly investment levels in Tier 2.

Annually, to support smoothing out inevitable variations occurring at individual project level, the cost for projects or sub-programmes on the Committed List that have completed during the year are reported, comparing this to the forecast costs of these projects and sub-programmes when they were added to Committed List.

Quarter 2 2021-2022 is the second report in the new regulatory period. Feedback from stakeholders is welcomed so learnings can be built into future reports.

Summary

Scottish Water's 2021 Delivery Plan sets out its intention to invest between £570m and £650m on projects delivering asset replacement, planned repair and refurbishment, enhancement, flooding and growth¹. At the end of Quarter 2 2021/22, Scottish Water has invested £314.9m on projects and sub-programmes within this category. This includes £55.6m invested on the delivery of projects that were planned to be completed in the previous period but have been delayed due to the impacts of Covid-19 and/or the realisation of other risks.

Scottish Water is forecasting at the year-end to be within the investment range set out in its Delivery Plan, with investment in asset replacement, planned repair and refurbishment, enhancement flooding and growth being over £600m over the year. The total targeted year-end investment range is £780m-£860m, including expenditure on responsive repairs and refurbishment of its assets² and reasonable cost contributions.

1. Indicator of Progress of Overall Delivery (IPOD)

The Indicator of Progress of Overall Delivery provides a high-level measurement of Scottish Water's progress in delivering the Committed List for projects over £1m³; it assesses the progress of these investment projects monitored by DAG across 3 delivery milestones⁴ combining this information to give an overall score.

When projects are added to the Committed List, each milestone is allocated 1 point. Each quarter, the number of points achieved by reaching milestones is assessed against the baseline⁵ level for the previous quarter (lower tramlines) and the subsequent quarter (upper tramlines). These points are shown as absolute scores. Scottish Water is considered to be "on track" where the amount of points gained lies within the tramlines.

The IPOD position at quarter 2 2020/21 was on track at 128 points against a range of 75 to 229 points.

¹ Classed as Tier 2 expenditure

² Classed as Tier 1a expenditure

³ Forecast cost at the time of addition to the Committed List

⁴ These are start on site, gate 100 (acceptance) and gate 110 (financial close)

⁵ The baselines are determined by the projects forecast dates at the time inclusion in the Committed List

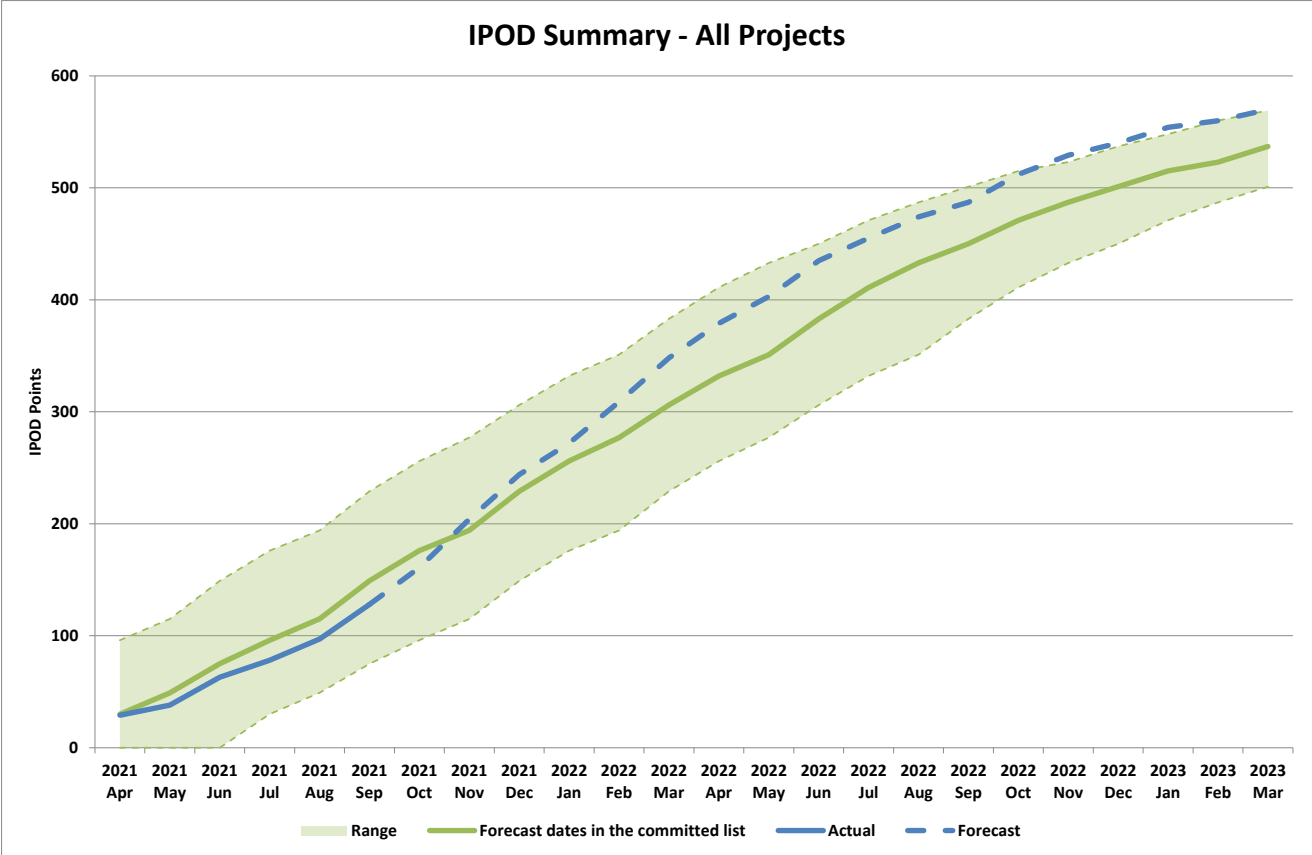


Figure 1: Indicator of progress of Overall Delivery (IPOD) at Quarter 2 2021-2022

Figure 1 above shows the actual and forecast performance of IPOD against the tramlines. It is anticipated that there will be further attrition on the achievement of forecast milestones as project risks are realised.

Appendix A provides a summary of the number of milestones ahead, behind and on track at Quarter 2 2021-22.

2. Management Approaches progress overview

This section provides an overview of which projects, grouped by Management Approach (MA), are ahead, on track or at risk of being behind year end forecasts. An explanation of progress, risk and how Scottish Water intends to manage the risks is also provided.

Progress is assessed by comparing the number of IPOD points forecast to be achieved at the year-end by projects in each Management Approach against the baseline level for the previous the subsequent quarter (the range).

At this early stage all areas are on track or ahead and there are no significant delays to report. It is anticipated that there will be attrition on the achievement of forecast milestones as project risks are realised.

SR15 Completion

At the end of the SR15 period there were 143 enhancement projects still to achieve Regulatory Sign Off (RSO). 57 of these were planned for delivery in the SR21 period but 86 projects, originally planned for delivery before March 2021, have been delayed as project risks were realised.

Of these 86 delayed projects; 8 remain in development and have yet to start on site, 36 have now achieved Acceptance and are providing benefit to customers, the remaining projects are in construction with the last project (Rockcliffe Bathing Waters) forecasting Acceptance in quarter 2 2024-25. The progress of the 86 delayed projects is shown in the table contained in Appendix B.

The SR15 Completion projects remain under very close scrutiny and progress is being made with all of the projects.

3. Large projects progress, or projects that are novel, strategic or contentious grouped by portfolio

This section provides an overview of the progress Scottish Water is making in delivery of projects above £3m, or those that are novel, strategic or contentious. The projects are grouped by portfolio. Actual progress is measured against the baseline of the Committed List for the previous and subsequent quarter. Where delivery of the projects within the portfolio is outwith these tramlines or is at risk of being so, narrative is provided explaining the reasons and how the risk is being managed and what Scottish Water are doing to recover.

At this early stage the large projects by portfolio are on all on track or forecast to be slightly ahead for start on site and financial close. However the acceptance milestone for both the Water Portfolio and the Customer Experience & Flourishing Scotland (CE&FS) and Support Services Portfolio is now outwith the target tramline but forecasting to recover by year end.

An example of a project above £3m that achieved acceptance in Quarter 2 and hence is providing benefits to customers is “Laighpark WwTW”. This project sits within the waste water portfolio and was instigated to maintain the performance of the WwTW to meet the licenced discharge consent. The project involved replacement of mechanical equipment throughout the works.

An example of a project above £3m that reached financial close in Quarter 2 is “Amlaird WTW and Courthouse WTW Strategic Main Out”. This project sits within the Water portfolio and involved the construction of the first phase of the Ayrshire Resilience Scheme.

4. Summary of key projects of interest

During discussions held as part of the regular bilateral meetings no projects have been identified that stakeholders wish to highlight to the DAG as causing particular concern.

5. Conclusion

The DAG is invited to note that:

- By the end of Quarter 2 £314.9m has been invested on projects and sub-programmes projects delivering asset replacement, planned repair and refurbishment, enhancement, flooding and growth.
- Scottish Water's IPOD position at 128 points is broadly in line with the forecast dates in the Committed List. It is anticipated that there will be further attrition on the achievement of forecast milestones as project risks are realised and that the final year end position will be within the range.
- Breaking this down to the Management Approach level, all areas forecast at the year-end to be on track or ahead. At this early stage, it is positive but not indicative of any areas of interest as it is anticipated that there will be further attrition on the achievement of forecast milestones as project risks are realised.
- Of the 86 SR15 delayed projects; 8 remain in development, 36 have achieved Acceptance and are providing benefit to customers, and the remaining projects are in construction.

Appendix A - summary of milestone attainment position at Q2 2021/22

| Gate | Committed Min (-3 months) | Committed Forecast (baseline) | Committed Max (+ 3 months) | Actual | Status |
|---------------------------|---------------------------|-------------------------------|----------------------------|------------|------------------------------|
| Start on site | 18 | 32 | 43 | 32 | On track |
| Project acceptance (G100) | 52 | 112 | 149 | 79 | On track, (behind baseline) |
| Financial close (G110) | 5 | 5 | 37 | 17 | On track (ahead of baseline) |
| Total | 75 | 149 | 229 | 128 | |

Table 1: summary of milestone attainment position at Quarter 2 2021-22

Appendix B - SR15 Completion Programme

| SR15 Completion Programme – Delayed Projects Status | | | |
|--|-------------------------------|-----------------------------|-----------------|
| Stage | Forecast at March 2021 | Actual at Q2 2021-22 | Variance |
| Pre Start on Site | 5 | 8 | 3 |
| In Construction | 32 | 42 | 10 |
| Construction Complete | 49 | 36 | -13 |
| Total | 86 | 86 | 0 |

Table 2: summary of SR15 completion programme at Quarter 2 2021-22



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