

DAG WORKING GROUP

DRAFT DELIVERY ASSURANCE REPORT: Quarter 2 2020-21

1. Introduction

The DAG are aware of the key issues impacting the capital programme because of the COVID-19 pandemic, being:-

- Cessation of all construction work from 23 March until early June.
- Cautious ramp up of the programme in line with Government guidance.
- New safe working procedures incorporating social distancing.

The DAG were made aware of the intention to remobilise the capital programme by the end of July and to monitor the impact of the lockdown and new ways of working, with the intention of updating the DAG on the impact on the period end Delivery Plan targets at the end of Quarter 2. The bulk of the programme was remobilised by end of July as planned. Productivity was more significantly impacted during remobilisation and during the month of August – in September a better understanding of ongoing impacts has been developed and further assessments are ongoing. The current view is that COVID-19 has typically resulted in a 4 to 6 months delay in the delivery of the affected projects. Scottish Water is currently estimating that at a programme level, of the 21 quarterly monitored programme areas, up to 13 could be behind the period-end target (12 classed as red and 1 classed as amber) equating to 93 outputs when measured against the Regulatory sign-off milestone (MS5). This is compared to the pre-covid position of 8 programme areas (21 outputs) forecasting to be delivered behind the period-end target. Scottish Water is going through a re-forecasting exercise the outcome of which will be presented at the next quarter.

It is worth noting that there has been a shift in the COVID situation over the last month as the second wave of the virus has become more prevalent across the country. We have begun to experience some impacts of this resurgence with some construction sites operating with reduced manpower as people are forced to self-isolate, and some sites having to be temporarily closed.

This document summarises what has been achieved for customers against Scottish Water's Delivery Plan for the 2015-21 period, confirms the position up to the end of September 2020 (Quarter 2 2020/21) and gives an updated view of the significant impact of COVID-19 on the Delivery Plan targets. It has been prepared by the Delivery Assurance Group (DAG) working group, a sub group of the DAG set up by Ministers to provide assurance and report on the delivery of their [Objectives](#).

The DAG 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.

2. What We Monitor

Each quarter the DAG 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.

Progress in the delivery of outputs agreed for individual programmes in Scottish Water's Delivery Plan is shown in the following sections:

- Appendix A: Providing continuous high quality drinking water (includes drinking water quality, reliability and security of supply).
- Appendix B: Protecting and enhancing the environment (includes flood risk management).
- Appendix C: Supporting economic development (includes climate change and improving the long term cost of service).

The forecast period end status for each programme area has been measured against Scottish Water's Delivery Plan update as approved by the Scottish Government in March 2020.

Last quarter Scottish Water indicated that an effective forecast for the period end would not be available until the end of Quarter 2 (September) on the basis that the capital programme would be substantially remobilised by end July. New safe working practices have been introduced given the ongoing COVID-19 risk and social distancing requirements. During August and September Scottish Water has gathered data on the impact on productivity and has factored this into its Quarter 2 forecast. However, as a result of the resurgence of the virus, Scottish Water has begun to experience some impact. These will be considered in future forecasts. In this report the current view of the period end position is given. It is compared with the 'pre-COVID-19' period end forecast from Quarter 3 2019/20 to illustrate the likely impact of COVID-19 on the period end position.

Scottish Water also reports to DAG on progress in completing those projects due but not delivered by 31 March 2015 so that the benefits to customers can be delivered as quickly as possible.

3. Key points

The key points to report on Scottish Water's output delivery in the period up to the end of September 2020 (Quarter 2 2020/21) are:

- The overall measure of delivery (OMD) position was 220 points. This is an increase of 3 points from the Quarter 1 2020/21 position of 217 points. The Delivery Plan Quarter 2 OMD range was 212 to 232 points. At Quarter 3 2019/20 our predicted period end performance was 240-243 points. Our current view of the impact of COVID-19 is a period end performance of 228 - 232 points.
- Providing continuous, high quality drinking water: of the 10 programmes in this category, 6 were on or ahead of the delivery plan target for regulatory sign-off of outputs at the end of Quarter 2 2020/21, 1 less than last quarter. The four areas that were behind the delivery plan target are 'Number of water treatment works improved', 'Number of improvements to reliability of supply (catchments and treatment)', '2010-15 outputs planned to complete in the 2015-21 period' and 'Number of zones with improved security of supply (SOSI). In Quarter 3 2019/20 Scottish Water forecast that 2 programme areas would miss the period-end target and 2 were at risk (amber).

The current view of the impact of COVID-19 is that, as reported in the last quarter, 6 programme areas will miss the Delivery Plan targets and one is now at risk.

- Protecting and enhancing the environment: of the 10 programmes in this category, 7 were on or ahead of the target for regulatory sign-off of outputs at the end of Quarter 2 2020/21, as reported in the last quarter. The three areas that are behind plan were: 'Number of WWTWs improved to meet UWWTD', 'Number of improvements required to meet UWWTD - Glasgow completion' and 'Number of improvements required to meet the Water Framework Directive'. At Quarter 3 2019/20 Scottish Water forecast that 4 programme areas would miss the period end target. As reported in the last quarter the current view of the impact of COVID-19 is that 6 programme areas will miss the period end targets.
- Supporting economic development: of the 6 programmes in this category, 1 is now complete and 1 was ahead of target for regulatory sign-off of outputs by the end of Quarter 2 2020/21. The remaining 4 are demand driven.
- Projects due to have been completed by March 2015: by the end of Quarter 2 Scottish Water had completed 36 of the 37 projects that were outstanding at March 2015. The remaining project is substantially complete but following a water quality incident some further work is required to achieve sign-off. The work is planned for delivery this year.

4. 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 DAG 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 development) 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 points confirming that all outputs monitored have been delivered. At the end of September 2020 Scottish Water's OMD position was on target at 220 points, against a Quarter 2 2020/21 OMD range of 212 to 232 points. This is an increase of 3 points from the Quarter 1 2020/21 position of 217 points as illustrated in Figure 1. At Quarter 3 2019/20 our predicted period end performance was 240-243 points. The current view of the impact of COVID-19 is a period end performance of 228 - 232 points.

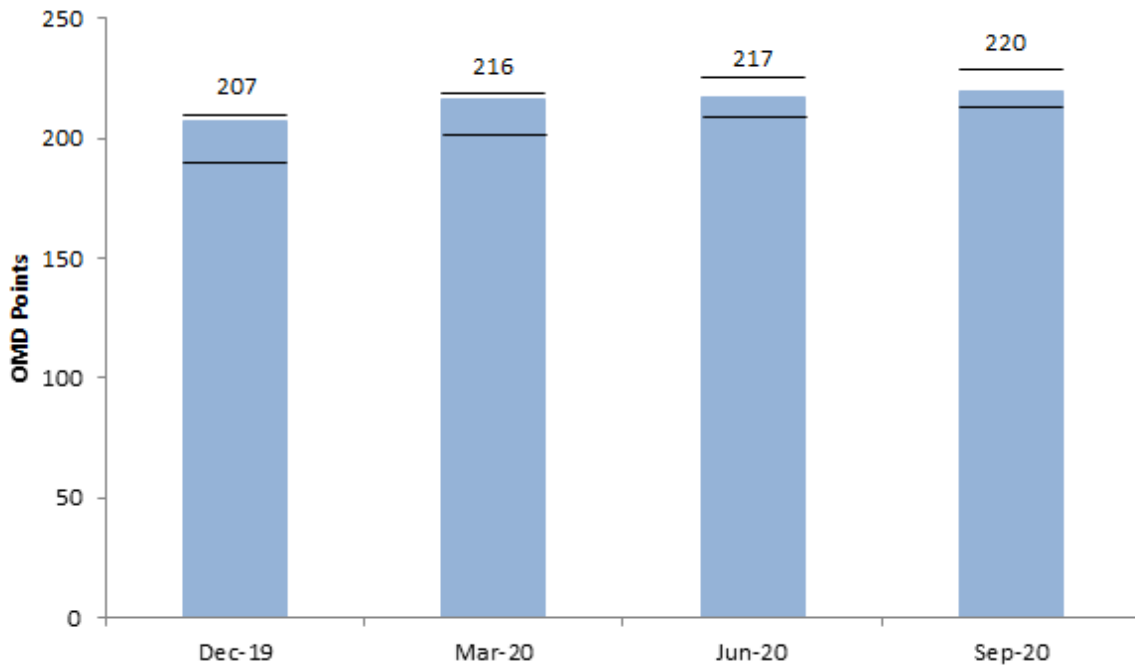


Figure 1 – Overall Measure of Delivery to Quarter 2 2020/21

5. Progress against milestones

Figure 2 below demonstrates the progress being made through each of the 5 programme milestones monitored by DAG, showing the number of outputs to date against the total outputs to be delivered in the 2015-21 period for each milestone.

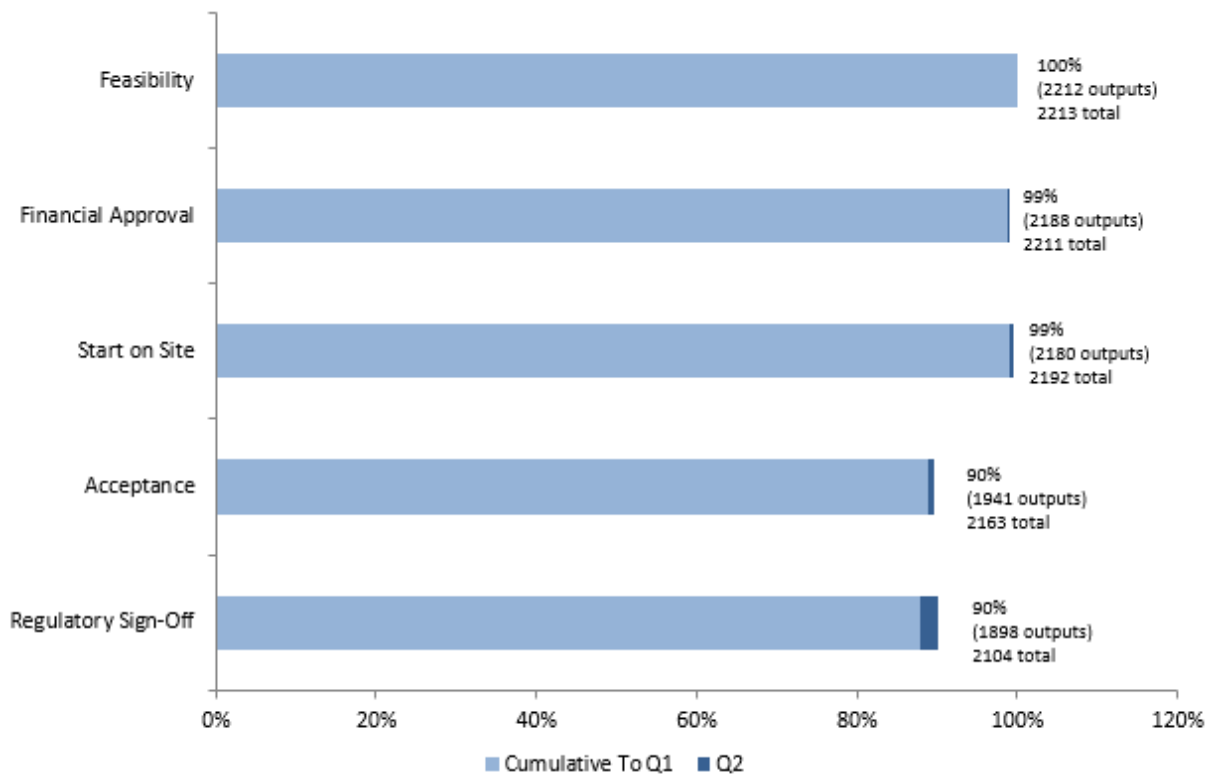


Figure 2: Reported output programmes –number of outputs, target for each milestone and percentage of actual number of milestones delivered against total number to be delivered in the regulatory period – all outputs (including IR18) except km of mains & GWh

6. Projects due but not delivered by 31 March 2015

Scottish Water started the 2015-21 period with 37 projects from the previous programme which were due but not completed by March 2015. By Quarter 2 2020/21 Scottish Water had completed 36 of these projects. Scottish Water remains focussed on delivering all projects due to have been completed by March 2015 and the remaining project is in supply and forecast to be delivered this year.

	2019/20	Q1 2020/21	Q2 2020/21	Q3 2020/21	Q4 2020/21
Planned completion	35-36	36-37	36-37	36-37	36-37
Latest forecast completion range	36	36	36	36	37

7. Conclusion

The DAG notes the key issues impacting the capital programme because of the COVID-19 pandemic, being:-

- Cessation of all construction work from 23 March until early June.
- Cautious ramp up of the programme in line with Government guidance.
- New safe working procedures incorporating social distancing
- Potential impact of the second wave

Further to the above the DAG notes that:

- The current view is that the impact off the pandemic on the Delivery Plan outputs is significant.
- The capital programme is re-started and during August and September data has been collected to inform a more robust forecast on the impact of the cessation of work due to COVID-19 and the impact on productivity of new working arrangements. This forecast may be impacted by a potential second wave of the virus with reduced workforce availability and potential temporary site closures. Prior to the COVID-19 restrictions, there were a number of programmes with challenges to delivery due to a small number of projects which were not expected to complete by March 2021. Within these there are a number that impact on compliance and, for those, temporary measures have been installed where possible.

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 will not recover within the year/period
Amber	At risk of not delivering the outputs within the year/period
Green	On or ahead of programme, or if off track will recover within the year
Blue	Programme complete

Appendix A: Providing continuous high quality drinking water

Scottish Water is undertaking work associated with the 10 programme areas in the table below. This includes additional IR18 outputs.

The table below shows the actual performance in period at the end of Quarter 2 versus the Delivery Plan target in columns 3 and 4. Column 5 (*2020/21 Year-end F/Cast (Pre-COVID-19)*) shows the year end performance as predicted at the end of Quarter 3 2019/20. This is representative of our forecast period end position prior to impact of COVID-19 with a RAG status against the Delivery Plan target. The second last column (*2020/21 Year-end F/Cast (Current View)*) shows the current view of the period end position taking cognisance of the impact of COVID-19, with a RAG status against the Delivery Plan target

Objective	Quarterly monitored programme areas	Q2 2020/21 Actual	Q2 2020/21 Target	2020/21 Year end F/Cast (Pre-COVID-19)	2020/21 Year end F/Cast (current view)	2020/21 Delivery Plan Target
Drinking water quality and reliability	Number of water treatment works improved	14	20	18	17	26
	Number of zones made compliant with iron & manganese standards	58	52	64	64	61
	Number of improvements to reliability of supply (catchments and treatment)	20	29	42	31	42
	Number of improvements to reliability of supply (networks and storage)	54	26	83	76	83
	Distribution mains cleaned (km)	3,003	2,368	4,357	3,820	3,849
	Number of water quality etc studies to inform future periods	352	320	362	359	347
	2010-15 outputs planned to complete in the 2015-21 period	17	19	20	18	22
Drinking water security of supply	Water supply resilience strategy and improvements made	15	14	17	15	18
	Number of zones with improved security of supply (SOSI)	6	7	7	6	8
	Number of security measures and improvements to the infrastructure of critical reservoirs	662	272	692	691	691
Total		1,198	759	1,305	1,277	1,298

This update presents a management view of the period end position compared with the 'pre-COVID-19' forecast from Q3 2019/20 to illustrate the likely impact of COVID-19 on the regulatory period end position. The impacts on delivery costs and timelines will continue to be monitored and assessed given the developing situation.

Appendix B: Protecting and enhancing the environment

Scottish Water is undertaking work associated with the 10 programme areas in the table below.

The table below shows the actual performance in period at the end of Quarter 2 versus the Delivery Plan target in columns 3 and 4. Column 5 (*2020/21 Year-end F/Cast (Pre-COVID-19)*) shows the year end performance as predicted at the end of Quarter 3 2019/20. This is representative of our forecast period end position prior to impact of COVID-19 with a RAG status against the Delivery Plan target. The second last column (*2020/21 Year-end F/Cast (Current View)*) shows the current view of the period end position taking cognisance of the impact of COVID-19, with a RAG status against the Delivery Plan target

Objective	Quarterly monitored programme areas	Q2 2020/21 Actual	Q2 2020/21 Target	2020/21 Year end F/Cast (Pre-COVID-19)	2020/21 Year end F/Cast (current view)	2020/21 Delivery Plan Target
Protecting and enhancing the environment	Number of WWTWs improved to meet UWWTD	23	24	26	25	26
	Number of waste water networks improved to meet UWWTD	38	34	51	42	42
	Number of improvements required to meet UWWTD - Glasgow completion	69	70	80	71	85
	Number of improvements required to meet the Water Framework Directive	3	13	9	7	23
	Studies to inform requirements under the revised Bathing Waters Directive	10	2	11	11	11
	Number of environmental studies to inform future periods	122	99	128	128	130
	Number of improvements required by the Compliance Assessment Scheme; odour reduction and sludge management	38	36	95	54	94
	2010-15 outputs planned to complete in the 2015-21 period	14	13	14	14	15
Flood risk management	Reservoirs Act - Number of improvements to dams	48	38	54	54	54
	Flood Risk Management Act - models and integrated catchment studies	214	179	218	218	216
Total		579	508	686	624	696

This update presents a management view of the period end position compared with the 'pre-COVID-19' forecast from Q3 2019/20 to illustrate the likely impact of COVID-19 on the regulatory period end position. The impacts on delivery costs and timelines will continue to be monitored and assessed given the developing situation.

Appendix C: Supporting economic development

Scottish Water continues to support the Scottish economy by meeting the demand for water and waste water connections to new households and businesses and where necessary has initiated projects to increase strategic capacity. Connections have been made to 124,848 new households and businesses since April 2015. Scottish Water has also installed 15,586 first time wholesale meters and replaced 68,645 wholesale meters as shown in the table below.

Objective	Quarterly monitored programme areas	Q2 2020/21 Actual	Q2 2020/21 Target	2020/21 Year end F/Cast (Pre-COVID-19)	2020/21 Year end F/Cast (current view)	2020/21 Delivery Plan Target
Supporting economic development	Number of new connections to households and businesses	124,848	Demand driven	Demand driven	Demand driven	Demand driven
	Delivery of new water & waste water capacity for 73,290 people ¹	29,186	Demand driven	Demand driven	Demand driven	Demand driven
	Number of first time non domestic meters installed	15,586	Demand driven	Demand driven	Demand driven	Demand driven
	Number of wholesale meters	68,645	Demand driven	Demand driven	Demand driven	Demand driven
Climate change	Number of climate change vulnerability assessments	121	110	123	123	110
Long term cost of service	Improvements in renewable power and energy efficiency (GWh)	17.5	12.5	17.5	17.5	17.5

¹ Paper OMGWG 63/05 explaining 73,290 capacity target would be combined total of both water & waste water.

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 Assurance Group (DAG)	Representatives of Scotland's water industry who will seek assurance on the delivery of committed projects and sub-programmes within Scottish Water's investment programme.
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.
Plan / Prepare / Deliver	Scottish Water's overarching process to planning and delivering investment 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.
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.