

DELIVERY ASSURANCE GROUP

DELIVERY ASSURANCE REPORT: Quarter 3 2020-21

1. Introduction

The DAG was made aware that Scottish Water has supported the national drive to mitigate the spread and impact of COVID-19 with key elements of note being:

- Cessation of all construction work from 23 March 2020 until early June.
- Cautious ramp up of the programme in line with Government guidance.
- New safe working procedures incorporating social distancing.
- The impact of the increase in COVID-19 during the winter and new protection levels/arrangements.

The consequence for SR15 projects and outputs falls into the following categories:

- Lockdown period: direct 10-week delay and direct cost impact
- Productivity Impact:
 - Remobilisation: Mobilisation from beginning June until end of July: - up to 40% reduction in productivity during cautious ramp up in line with government guidance and safe working. Ongoing productivity impact from new safe ways of working.
 - Costs: - impact of safe working practices.
- Potential impact on supply chain stability.

Throughout the pandemic Scottish Water priority has remained the provision of water and wastewater services throughout the country whilst implementing appropriate measures in line with Government guidance to mitigate the spread and impact of COVID-19 to the benefit of the country.

To determine the impact on SR15 outputs updates have been given using the following approach: -

- a) Using the Q3 2019/20 pre-Covid period end forecast as the assumed out-turn for SR15 performance for OMD and outputs.
- b) Assessing the impact of the COVID shutdown and new ways of working and compared this with the pre-Covid forecast to highlight the impact on the period end position
- c) Continuing to monitor the impact of other risks/issues that are non-Covid related.

At Q3 2019/20 Scottish Water forecast that 21 projects planned for delivery in the SR15 period would be delivered late. Two of these projects (Roberton WTW and Otago St UID) have been recovered and delivered within the period. However, the programme has been significantly impacted by delays due to COVID-19 and the current view is that this has typically resulted in a 4 to 6 months delay in the delivery of the affected projects. This coupled with other delivery risks being realised means that Scottish Water are now forecasting to complete an additional 59 projects¹ post March 2021. The table below provides a summary of the primary reason for the delay on these 59 projects.

¹ as set out in the tables in Appendix A & B, 117 outputs will be outstanding at 31 March 2021. These will be delivered by the 78 projects referenced above (21 less 2 recovered plus the further 59) as some projects deliver more than one output.

Primary risk Realised	Number of Projects Delayed
Scope risk	9
Third party risk	2
Construction risk	4
COVID-19	44

The sections below summarise 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 December 2020 (Quarter 3 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) which was 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.

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 December 2020 (Quarter 3 2020/21) are:

- The overall measure of delivery (OMD) position was 222 points. This is an increase of 2 points from the Quarter 2 2020/21 position of 220 points. The Delivery Plan Quarter 3 OMD range was 221 to 241 points. At Q3 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 227 - 231 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 3 2020/21. 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 Q3 2019/20 Scottish Water forecast that 2 programme areas would miss the year-end target and 2 were at risk (amber). The current view of the impact of COVID-19 is that 6 programme areas will miss the Delivery Plan targets and one is at risk.
- Protecting and enhancing the environment: of the 10 programmes in this category, 6 were on or ahead of the target for regulatory sign-off of outputs at the end of Quarter 3 2020/21. The three areas that are behind plan were: 'Number of WWTWs improved to meet UWWTD', 'Number of improvements required to meet UWWTD - Glasgow completion', 'Number of improvements required to meet the Water Framework Directive' and 'Number of zones with improved security of supply (SOSI)'. In Q3 2019/20 Scottish Water forecast that 4 programme areas would miss the year-end target. The current view of the impact of COVID-19 is that 6 programme areas will miss the Delivery Plan targets and one is at risk.
- 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 Q3 2020/21. The remaining 4 are demand driven.
- Projects due to have been completed by March 2015: by the end of Quarter 3 Scottish Water had completed 36 of the 37 projects that were outstanding at March 2015. The remaining project is in supply 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 December 2020 Scottish Water's OMD position was on target at 222 points, against a Quarter 3 2020/21 OMD range of 221 to 241 points. This is an increase of 2 points from the Quarter 2 2020/21 position of 220 points as illustrated in Figure 1. At Q3 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 227 - 231 points.

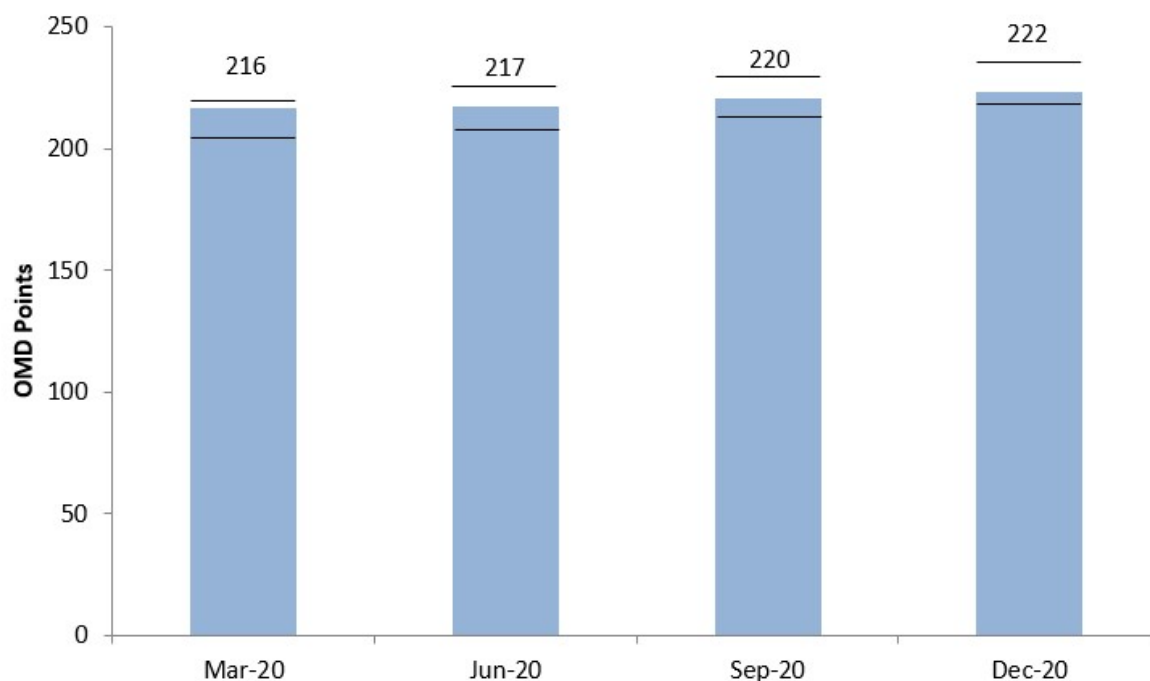


Figure 1 – Overall Measure of Delivery to Quarter 3 2020/21

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.

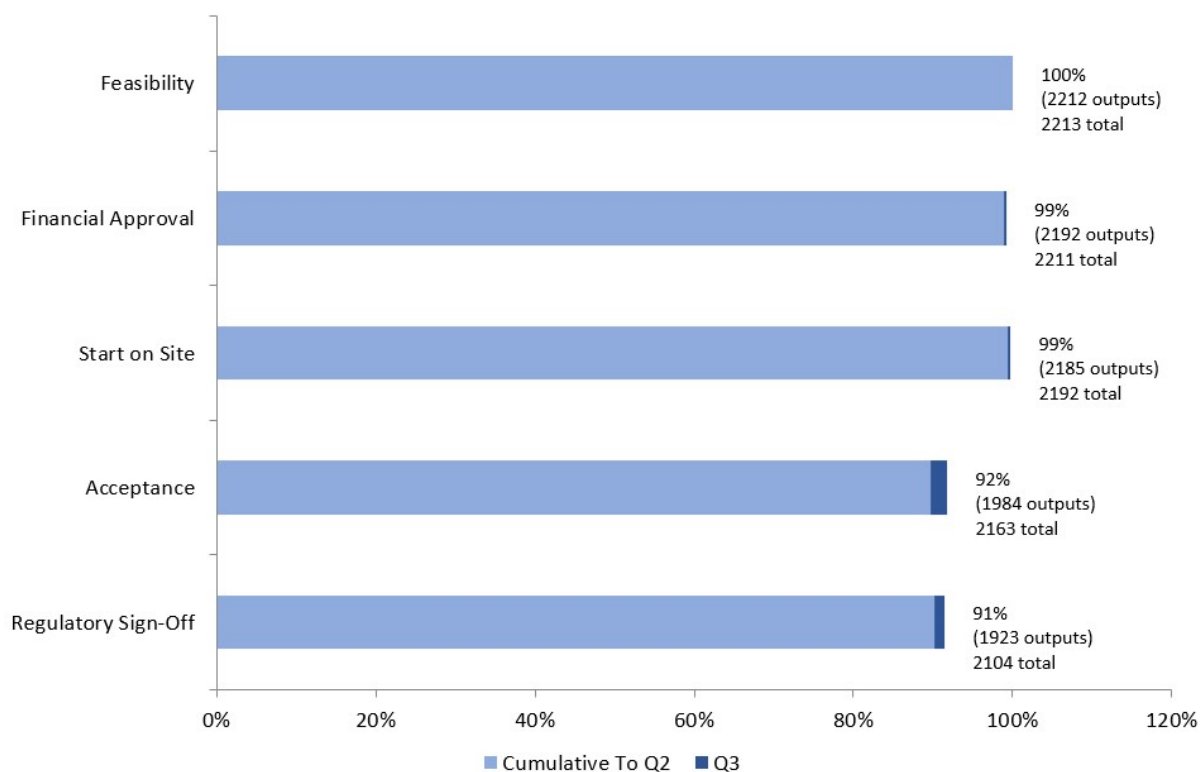


Figure 2: Reported output programmes –number of outputs, target for each milestone and percentage of actual number of milestones delivered against total number to be delivered in the regulatory period – all outputs (including IR18) except km of mains & GWh

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 3 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 that Scottish Water contributed to the national drive to mitigate the spread of the virus, with customers benefitting from the safe working methods implemented. The key issues impacting the capital programme because of the COVID-19 pandemic are: -

- 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 impact of the increase in COVID during the winter and new protection levels/arrangements.

Further to the above the DAG notes that:

- The current view is that the impact off the pandemic and other risks materialising on the Delivery Plan outputs is significant with 78 projects now expected to complete after period end compared to the pre-covid forecast of 21.
- The current view is that COVID-19 has typically resulted in a 4 to 6 months delay in the delivery of the affected projects.
- 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 3 versus the Delivery Plan target in columns 3 and 4. Column 5 shows the predicted year end performance at end of Q3 last financial year. 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 shows the current (Q3) 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	Q3 2020/21 Actual	Q3 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	22	18	17	26
	Number of zones made compliant with iron & manganese standards	58	55	64	64	61
	Number of improvements to reliability of supply (catchments and treatment)	20	32	42	25	42
	Number of improvements to reliability of supply (networks and storage)	55	38	83	72	83
	Distribution mains cleaned (km)	3,514	3,329	4,357	3,752	3,849
	Number of water quality etc studies to inform future periods	353	331	362	360	347
	2010-15 outputs planned to complete in the 2015-21 period	17	21	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	678	400	692	691	691
Total		1,216	920	1,305	1,268	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 3 versus the Delivery Plan target in the columns 3 and 4. Column 5 shows the predicted year end performance at end of Q3 last financial year. 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 shows the current (Q3) 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	Q3 2020/21 Actual	Q3 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	23	26
	Number of waste water networks improved to meet UWWTD	38	35	51	44	42
	Number of improvements required to meet UWWTD - Glasgow completion	69	75	80	71	85
	Number of improvements required to meet the Water Framework Directive	4	16	9	7	23
	Studies to inform requirements under the revised Bathing Waters Directive	11	4	11	11	11
	Number of environmental studies to inform future periods	123	109	128	128	130
	Number of improvements required by the Compliance Assessment Scheme; odour reduction and sludge management	38	38	95	40	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	51	46	54	53	54
	Flood Risk Management Act - models and integrated catchment studies	215	197	218	218	216
Total		586	557	686	609	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 132,219 new households and businesses since April 2015. Scottish Water has also installed 16,276 first time wholesale meters and replaced 72,169 wholesale meters as shown in the table below.

Objective	Quarterly monitored programme areas	Q3 2020/21 Actual	Q3 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	132,219	Demand driven	Demand driven	Demand driven	Demand driven
	Delivery of new water & waste water capacity for 73,290 people ²	38,564	Demand driven	Demand driven	Demand driven	Demand driven
	Number of first time non domestic meters installed	16,276	Demand driven	Demand driven	Demand driven	Demand driven
	Number of wholesale meters	72,169	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

² 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.