

Report on the progress of interventions to meet the needs on the development list: Quarter 1 2021-2022

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This document sets out Scottish Water's (SW) progress in developing interventions to address the needs on the 'Development List' up to the end of June 2021 (Quarter 1 2021-22). It has been prepared for the Investment Planning and Prioritisation Group (IPPG), set up by Ministers to provide reassurance and report on the delivery of their Objectives.

What we monitor

The Development List contains named needs and needs associated with repair, refurbish and replacement activities.

Our Management Approaches set policies as to what we will invest in on existing assets (repair, refurbish, replacement) and where interventions (activities required to deliver named needs or replacement) exceed £3m or have a high customer and community engagement, a Level 1 or 2 project appraisal is developed to assess the options to deliver the need.

Each quarter SW reports to IPPG on its progress in developing interventions to address the needs on the Development List. This report includes:

Section 1 - Indicator of overall progress towards the Committed List: to provide reassurance to stakeholders on the overall rate of progress in developing interventions relative to what is required for expected investment levels in future years.

Section 2 - Overview of progress in developing interventions grouped by Management Approach: to provide reassurance to stakeholders that we are developing sufficient interventions, compared to investment expectations over the short term.

Section 3 - Progress in the development of interventions with Level 1 and 2 appraisals: to provide reassurance to stakeholders on progress of developing interventions subject to a Level 1 and Level 2 appraisal and a view of current expectations of when they will reach future appraisal stages.

Section 4 - Summary of progress of interventions that are of particular interest to IPPG members: a summary of the output of bilateral SW/stakeholder sessions (i.e. Joint Development Groups) highlighting by exception those that are of concern to an IPPG member.

Section 5 – Key decisions: sets out the decisions SW has taken in the most recent quarter to pause the development of any individual intervention and any adjustments to Management Approaches, explaining the rationale behind the decisions.

Section 1 - Indicator of overall progress towards the Committed List

The indicator of overall progress towards the Committed List is a high-level measure of the rate of progress in developing interventions relative to what is required for expected investment levels in future years. This measure – Progress to the Committed List (PCL) assesses whether SW is promoting sufficient volumes through the stages in each of its development pathways.

A score of less than 100% indicates that the rate of overall progress in developing interventions may not be sufficient. A score of more than 100% indicates that the rate of overall progress is more than sufficient and will allow prioritisation/choice in what to commit to delivery. Changes may occur due to ‘positive’ and ‘negative’ attrition. ‘Positive attrition’ occurs if forecast costs to meet a need have reduced or if the required delivery timescales have been extended. ‘Negative attrition’ occurs if forecasts costs have increased, or additional evidence is required which extends the project appraisal process.

At the end of June 2021 SWs indicator of overall progress towards the Committed List was 127% with a year-end forecast position of 110%. Early indications therefore are that we are initiating sufficient volumes of investment across the programme.

Section 2 - Overview of progress in developing interventions grouped by Management Approach

This section provides an overview of the rate of progress in developing interventions, grouped by Management Approach, comparing these to investment expectations for this year (2021-22).

Figure 1 illustrates that as we would expect at this point in the year that for the majority of management approaches the majority of interventions are in the prepare and deliver phases.

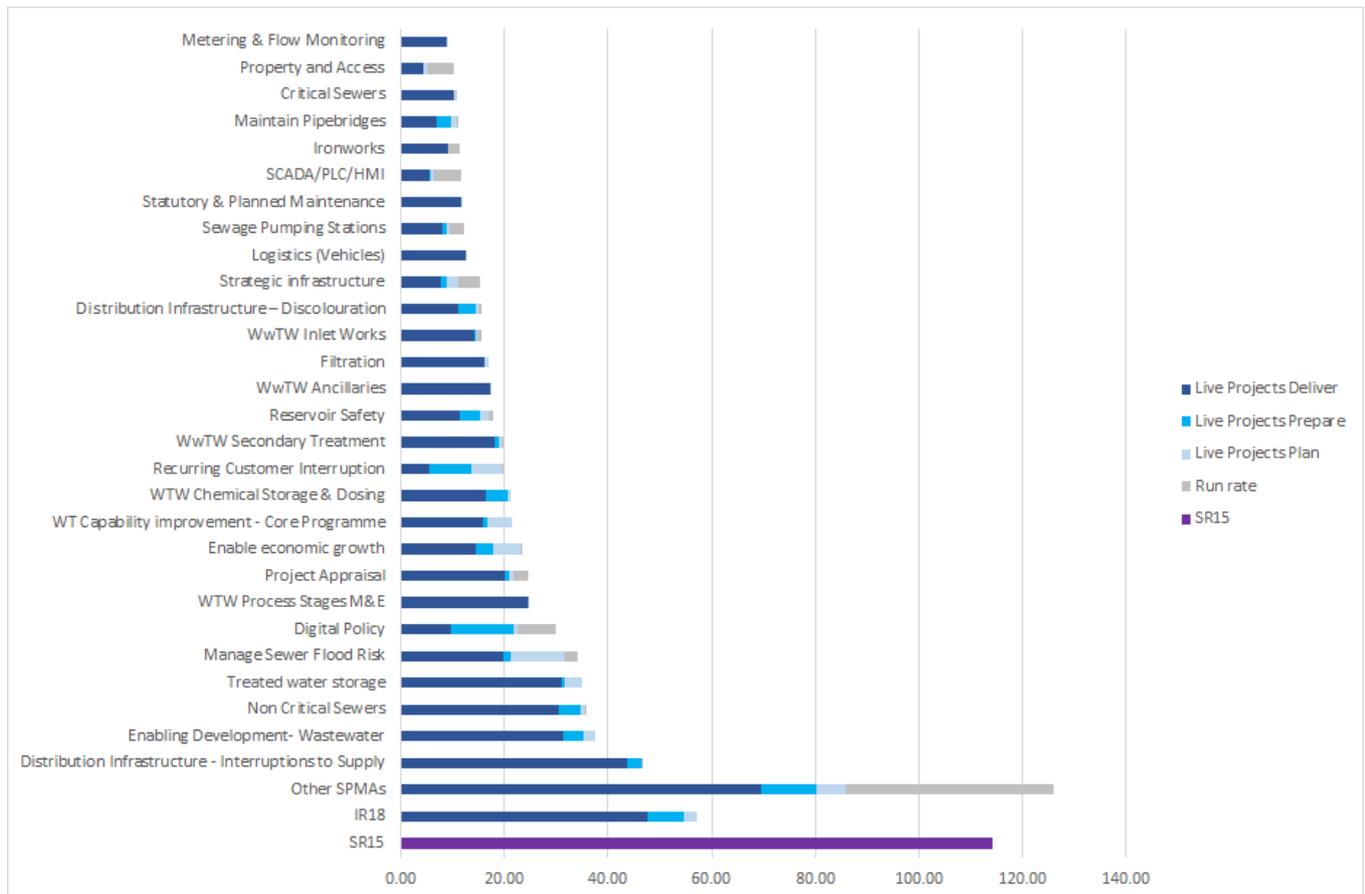


Figure 1: Progress in developing interventions in Year 1 grouped by Management Approach¹

In future quarters this section will provide commentary regarding changes to the development of interventions compared with the previous quarter.

Section 3 - Progress of the development of interventions with Level 1 and 2 appraisals

For all interventions that are Level 1 (those which have an opportunity for placemaking and external partnership involvement) or Level 2 (substantive project investments over £3m, novel or contentious), appraisals are undertaken. At present Scottish Water is progressing 112 such appraisals. The full list of interventions with Level 1 and 2 appraisals with an indication of the anticipated timing of is shown in Annex B. A number of appraisals have been shared with stakeholders with associated Q&A sessions.

In Quarter 1 the following appraisals are highlighted as of potential interest:

- Carron Valley Water Treatment Works(WTW) and Black Esk WTW reached Gate 50 (preferred option) in April and June respectively. Both Carron Valley and Black Esk have Letters of Commitment with DWQR and the interventions proposed meet these requirements.

¹ Does not include reasonable cost contributions

- Juniper House (laboratory refurbishment) reached Stage 3a in April. The decision for the preferred option for Juniper House will be reached at Stage 3b as further development and design was required to inform the choice between the two remaining options based on refined costs, risks and benefits
- Glenfarg WTW reached Stage 3b (confirmation of preferred option) in June. This progresses the work to meet the Letter of Commitment with DWQR.
- Bonnycraig WTW reached Gate 90 and construction has started on site.
- Ferniegair Wastewater Treatment Works(WwTW) reached Gate 50 (optioneering stage) in June. This project looks to address Controlled Activity Regulations(CAR) compliance and the need to accommodate future growth. Table 1 below provides an overview of the appraisals at Stage 3a/b and 4 that were anticipated to be completed in 21/22 Quarter 1 compared to actuals.

Appraisal Stage	Portfolio							
	Transformation		Water		Wastewater (exc flooding) ²		Customer Engagement and flourishing Scotland	
	Mar-21 forecast	Jul-21 actual	Mar-21 forecast	Jul-21 actual	Mar-21 forecast	Jul-21 actual	Mar-21 forecast	Jul-21 actual
3a	0	0	6	4	5	1	2	2
3b	0	0	2	1	0	0	0	0
4	3	2	1	1	1	0	0	2

Table 1: Appraisal at Stage 3a/b and 4 anticipated for Quarter 1 compared to actuals

In general appraisals have required more time to consider options, phasing and develop a more robust evidence base including technical and costing information. The anticipated number of Level 1 and 2 project appraisals that will reach each stage of appraisal each quarter over the next year is shown in Table 2.

Appraisal stage	2021 Q2	2021 Q3	2021 Q4	2022 Q1
Stage 2: strategic options review (G40)	7	4	18	4
Stage 3a: Outline Investment Appraisal (G50)	6	10	11	1
Stage 3b: Outline project appraisal (G70)	6	10	5	7

Table 2: Project appraisals anticipated at each stage across 2021-22

The purpose of this table is to provide visibility - it is not intended to be a fixed set of dates as we recognise our processes are not mature enough to know how long each of these stages will take.

Section 4 - Summary of progress of needs that are of particular interest to IPPG members

This section will seek to highlight the progress of those needs or interventions that are of concern to IPPG members and have been identified through the bilateral SW/stakeholder sessions (i.e. Joint Development Groups) as requiring escalation to IPPG. In this Quarter no such needs were identified.

Key decisions

In quarter 1 2021-22, 1 Management Approach has been approved, bringing the total number to 66.

The first management approaches were approved by the Scottish Water Board in February 2020 and are now due for review. Currently 14 management approaches are being reviewed and Scottish Water has welcomed any comments from stakeholders. Over the next 6 months we will review a further 11 and provide an update at the next IPPG meeting.



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