

Report on the progress of interventions to meet the needs on the development list: Quarter 3 2021-22

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This report sets out how Scottish Water (SW) is progressing in developing interventions to address the needs on the 'Development List' up to the end of December 2021 (Quarter 3 2021/22). It has been prepared for the Investment Planning and Prioritisation (IPPG), set up by Ministers to provide reassurance and report on the delivery of their Objectives.

The content and format of this report is under review by the Investment Reporting Task and Finish Group and Investment Reporting Data Subgroup which in turn report to IPPGWG. The amendments listed below have been made following stakeholder feedback from previous IPPGWG and IPPG meetings and further developments are being explored:

- An additional explanation of Management Approaches has been added to the beginning of the document.
- A summary section has been introduced to provide stakeholders with the current view of our 6 year investment profile.
- Section 5 (key decisions) has been renamed "Adjustments to Management Approaches" and has been positioned earlier in the document and is now Section 3.

What We Monitor

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

Scottish Water's Management Approaches set out:

- the policies that define the inspections that will be undertaken;
- the policy triggers for interventions that will be developed and then committed to delivery.

Where interventions are forecast to 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 Scottish Water reports to IPPGWG 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 volume of intervention development 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 Scottish Water is developing sufficient interventions within each Management Approach, compared to investment expectations over the short term.

Section 3 – Adjustments to Management Approaches: sets out the decisions Scottish Water 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 4 - 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 5 - Summary of progress of interventions that are of particular interest to IPPG members: a summary of the output of bilateral SW/stakeholder sessions (e.g., Joint Development Groups) highlighting by exception those that are of concern to an IPPG member.

Summary

The current investment forecast over the 6-year investment period is shown below (Figure 1). This shows a combination of Live Investment (investment which is currently going through either the Plan, Prepare or Deliver phase of the project lifecycle) and Non-live investment (investment identified but not yet initiated in the system).

Year 1 investment is mature and being progressed through delivery. Scottish Water is forecasting total investment to be in the range £790m - £820m. Tier 2 investment is forecast to be in the range £620m to £640m.

During Quarter 3 our focus has turned to planning for year 2, ensuring sufficient investment is initiated in the system to achieve the planned increase from c. £800m to c. £850m. This is progressing well, and there is a total of £800m initiated to date. £654m of this is Tier 2 with £515m with our delivery teams in the Prepare or Delivery phase. There is increasing confidence that the Year 2 investment levels as set out in SW's Delivery Plan will be achieved.

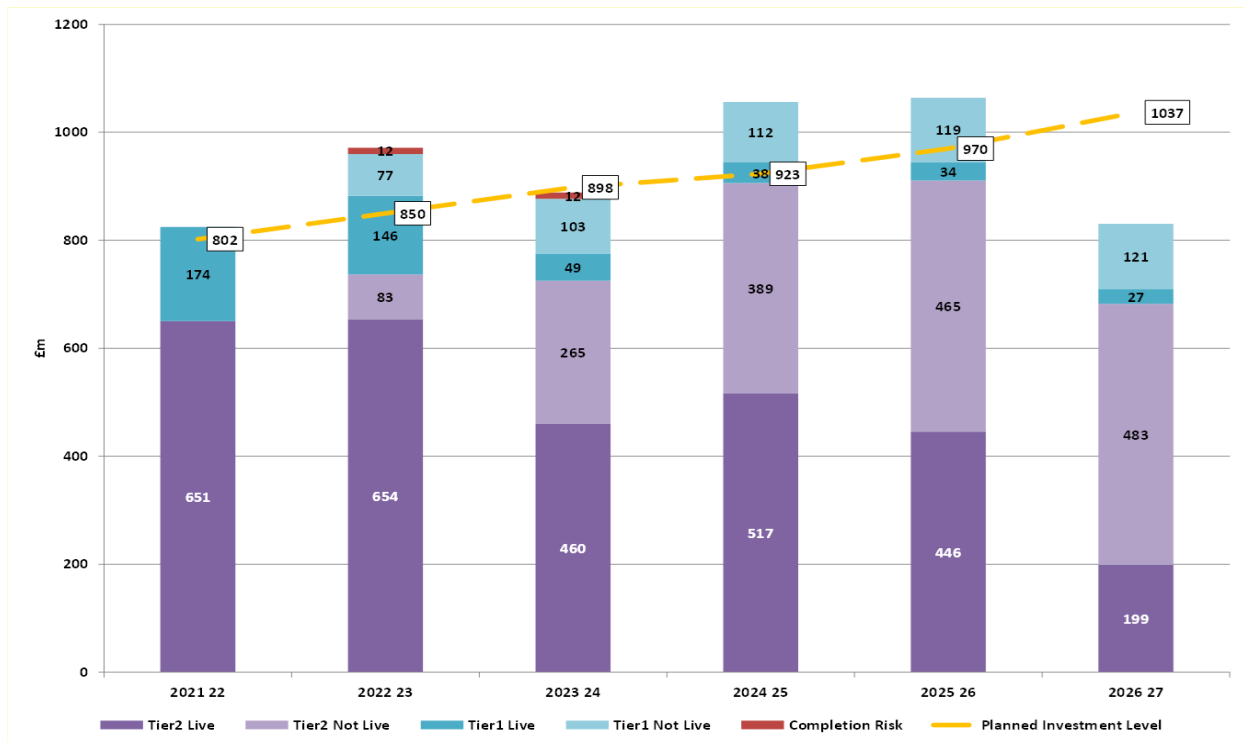


Figure 1: 6 Year Investment Profile

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 overall volume of intervention development relative to what is required for expected investment levels in future years. This measure – Progress to the Committed List (PCL) assesses whether Scottish Water 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 for an intervention 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 December 2021 Scottish Water's indicator of overall progress towards the Committed List was 114% with a year-end forecast of 118%. Early indications therefore are that Scottish Water is developing more than 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 maturity of investment by Management Approach, for the current year (2021-22). This is shown below (Figure 2) and at this stage there are no areas of concern.

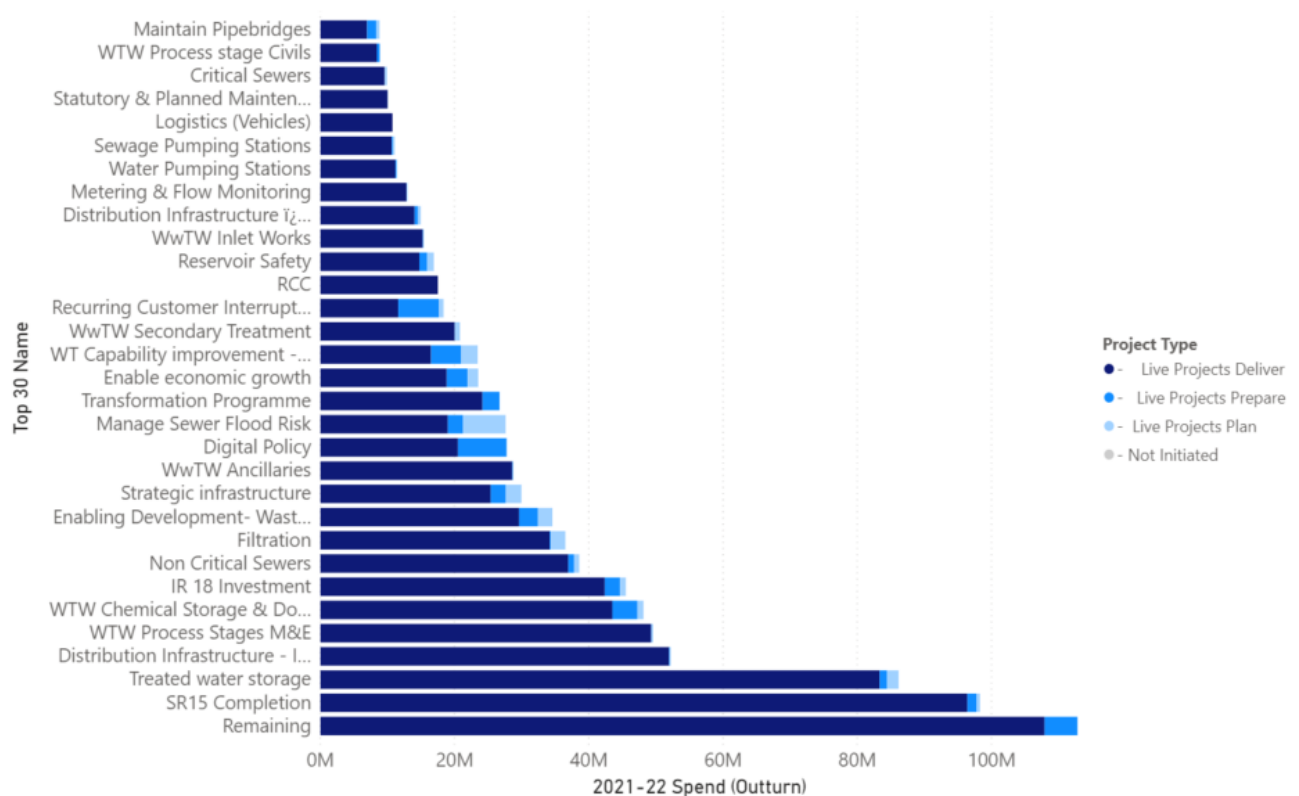


Figure 2: Progress in developing interventions in Year 1 grouped by Management Approach

Section 3 – Adjustments to Management Approaches (MAs)

In Quarter 3 no policy changes to existing Management Approaches were made. Two Management Approaches (MA106 Secondary disinfection and MA105 Access to Equipment) have been approved. This brings the total number of management approaches to 78¹. A full list of the management approaches is provided in Annex A. To date five Management Approaches have been reviewed and re-published. A further eight are currently being reviewed and we would welcome any comments from stakeholders on these (Annex B, part a). Over the next 6 months Scottish Water plan to review a further six (Annex B, part b) and will provide an update at the next IPPGWG meeting.

Currently SW is initiating all work that meets its policies. To understand the demand within each Management Approach, it is carrying out regular 'health checks' and through these identifying where the demand materialising significantly exceeds the Investment Planning Scenario (IPS). This acts as an early warning for decision

¹ MA038 (Asset Management Transformation Routemap) will be incorporated into MA104 (Transformation) and is no longer included in the total number of MAs.

making. There are six Management Approaches that SW is currently reviewing following 'health checks'. These are detailed in Table 1 below.

Table 1: Management Approaches with demand materialising that significantly exceed their IPS allocation

MA Reference	Management Approach	Comment
MA001	Recurring Customer Interruptions to Supply	Significant back log demand identified
MA015	Distribution Infrastructure - Interruptions to Supply	Overlap of benefits with Recurring Customer Interruptions we are assessing.
MA037	Treated Water Storage	A significant volume of projects initiated.
MA066	Digital Policy	Increase cost in replacement of obsolete analogue Public Switched Telephone Network (PSTN) for 5,300 sites.
MA081	Sample Points	Additional demand associated with new sampling points.
MA095	Water Treatment Works - Water Quality Instrumentation	Projects carried over from SR15.

In January 2022, the first pilot Portfolio Reviews were held for Water and Wastewater.

Section 4 - Progress of the development of interventions with Level 1 and 2 appraisals

This section provides an overview of the progress of interventions that are subject to Level 1 and 2 appraisals².

Key points to note are:

- 11 of 30 project investment appraisals included in the October forecast for Quarter 3 have been delivered to the forecast.
- The main learnings for changes to the forecast are:
 - **Technical information availability.** Appraisals have required more time to consider options, phasing and develop a more robust evidence base. Appropriate time needs to be built in to make sure the technical evidence base and assurance is robust enough to progress to the next appraisal stage.
 - **Costing information availability.** Costing information is often only available once technical evidence is completed- or requires revision to ensure it remains correct. Costings between Stage 3a and 3b (G50-70) require time for discussions. Appropriate time to be built in to allow for initial costing, and changes of scope to be reflected and checked in the costing assurance process particularly in Stage 3a- 3b (G50-70).
 - **Prioritisation.** Several projects have been reforecast for later delivery as a number of projects were/are accelerated as these projects have a more urgent demand than the others originally programmed. This

² Level 1 appraisals are carried out for needs that require the early identification of placemaking and external partnership involvement. These are likely to be complex and time intensive. Level 2 appraisals are carried out for needs that are likely to require substantive system, programme and project investments and will be subject to a robust economic appraisal.

flexibility in the programme reflects the PIA model for SR21 but has an impact on the resources available for the production and review of existing appraisals.

Below is the forecast for the next three quarters (Table 2). It is not intended to be a fixed set of dates as Scottish Water recognises its processes are not mature enough to know how long each of these stages will take.

Table 2: Forecast of project appraisals at each gateway to be delivered during the following four quarters³

	Per Quarter			
	2021/22 Q4	2022/23 Q1	2022/23 Q2	2022/23 Q3
Stage 2: Strategic Options Review (G40)	10	12	5	0
Stage 3a: Outline Investment Appraisal (G50)	8	11	7	11
Stage 3b: Outline Project Appraisal (G70)	8	9	10	8

Section 5 - Summary of progress of needs that are of particular interest to IPPG members

During discussions held as part of the regular bilateral meetings two interventions have been identified by DWQR as being of particular interest to IPPGWG, namely Glenfarg WTW and Black Esk WTW. As agreed with DWQR, in the next quarter Scottish Water will provide IPPG with an overview of these WTW Capability improvement projects which will include the development work to date, evolution of the preferred options and how work with the supply chain is being used to inform risks to benefit delivery, reductions in whole life costs, reductions in carbon and reducing impacts on communities.

³ We are currently reviewing when stage 4 will be reached and will update next quarter.

Annex A – List of management approaches

MA Ref	Management Approach	Portfolio	Status
MA001	Recurring Customer Interruptions to Supply (Water)	Combined	Approved by SW Board
MA002	Wastewater Critical Sewers	Wastewater	Approved by SW Board
MA003	Maintain Pipebridges	Wastewater	Approved by SW Board
MA004	Reservoir Safety	Water	Approved by SW Board
MA005	Unsatisfactory Intermittent Discharges	Wastewater	Approved by SW Board
MA006	Water Treatment Capability Improvement	Water	Approved by SW Board
MA011	Wastewater Motor Control Centres	Wastewater	Approved by SW Board
MA012	Wastewater Pumping Mains	Wastewater	Approved by SW Board
MA013	Wastewater Control Systems (SCADA)	Wastewater	Approved by SW Board
MA014	Wastewater Non-Critical Sewers	Wastewater	Approved by SW Board
MA015	Distribution Infrastructure - Interruptions to Supply	Water	Approved by SW Board
MA016	Distribution Infrastructure - Discolouration	Combined	Approved by SW Board
MA017	Wastewater Treatment Works - Inlet Works	Wastewater	Approved by SW Board
MA018	Ironworks	Combined	Approved by SW Board
MA020	Manage Sewer Flood Risk	Combined	Delegated approval by SW Board
MA021	Management of Wastewater Temporary Process Units	Wastewater	Approved by SW Board
MA022	Supervisory Control and Data Acquisition (SCADA), Programmable Logic Controller (PLC), Human Machine Interface (HMI) – Water	Water	Approved by SW Board
MA023	Wastewater Pumping Stations	Wastewater	Approved by SW Board
MA024	Sludge Treatment Centres	Wastewater	Approved by SW Board
MA025	Strategic Infrastructure (Water)	Water	Approved by SW Board
MA026	Enabling Development - Wastewater Portfolio	Wastewater	Approved by SW Board
MA027	Energy Efficiency (Water and Wastewater)	Combined	Approved by SW Board
MA028	Catchment Management	Water	Approved by SW Board

MA029	Offices, Property and Estates	Support Services	Delegated approval by SW Board
MA032	Enable Economic Growth Infrastructure Funding	CE&FS	Approved by SW Board
MA033	Water Filtration (Membranes, Granular Activated Carbon (GAC) and Sand Filters)	Water	Approved by SW Board
MA034	Customer Meters	Combined	Delegated approval by SW Board
MA035	Wastewater Outfalls	Wastewater	Approved by SW Board
MA036	Wastewater Screw Pumps	Wastewater	Approved by SW Board
MA037	Treated Water Storage	Water	Approved by SW Board
MA038	Asset Management Transformation Roadmap (AMTR)	Support Services	Approved by ELT
MA039	Combined Sewer Overflows (CSO)	Wastewater	Approved by SW Board
MA041	Lead Management	Water	Approved by SW Board
MA042	Wastewater Treatment Works - Primary Treatment	Wastewater	Approved by SW Board
MA043	Wastewater Treatment Works - Secondary Treatment	Wastewater	Approved by SW Board
MA044	Telemetry	Combined	Approved by SW Board
MA046	Water Treatment Works - Chemical Storage & Dosing	Water	Approved by SW Board
MA048	Innovation	Support Services	Approved by SW Board
MA049	Wastewater Treatment Works - Odour equipment	Wastewater	Approved by SW Board
MA052	Water Treatment Works - Sludge and Washwater Handling	Water	Approved by SW Board
MA053	Scientific Instrument Replacement	Support Services	Approved by SW Board
MA054	Network Model Maintenance	Combined	Delegated approval by SW Board
MA056	Renewable Energy Asset Maintenance	Support Services	Approved by SW Board
MA057	Wastewater Treatment Works - Ancillaries	Wastewater	Approved by SW Board
MA058	Water Pumping Stations	Water	Approved by SW Board
MA060	Distribution Infrastructure - Network Valves	Water	Delegated approval by SW Board
MA062	Sewer Structures	Wastewater	Approved by SW Board
MA063	Abstraction and Compensation Monitoring Equipment	Water	Approved by SW Board

MA065	Comply with Legislative Requirements (Service Relocation)	CE&FS	Approved by SW Board
MA066	Digital Policy	Support Services	Approved by SW Board
MA068	Statutory and Planned Maintenance	Combined	Approved by SW Board
MA070	Improve Pressure – Properties with Persistent Low Pressures	Water	Approved by SW Board
MA073	Distribution Infrastructure - Metering and Flow Monitoring	Water	Delegated approval by SW Board
MA076	Wastewater Studies	Wastewater	Approved by SW Board
MA080	Boreholes	Water	Approved by SW Board
MA081	Sample Points	Water	Delegated approval by Board
MA082	Motor Control Centres (MCC) Water	Water	Approved by SW Board
MA084	Wastewater Treatment Works Improvements	Wastewater	Delegated approval by SW Board
MA085	Long Term Sludge Storage	Combined	Approved by SW Board
MA087	Water Resilience and Growth	Water	Approved by SW Board
MA089	Security	Water	Approved by SW Board
MA091	High Voltage Assets (Water and Wastewater)	Combined	Delegated approval by SW Board
MA092	Standby Power	Water	Delegated approval by SW Board
MA093	Water Treatment Works - Process Stage Civils	Water	Delegated approval by SW Board
MA094	Water Treatment Works - Process Stages Mechanical & Electrical	Water	Approved by SW Board
MA096	Water & Wastewater - Property and Access	Combined	Approved by SW Board
MA101	Renewable Energy - Enhancement	Support Services	Approved by SW Board
MA100	Chlorine Contact Tanks	Water	Delegated approval by SW Board
MA077	We Enhance Scotland's Environment	CE&FS	Approved by SW Board
MA071	Logistics (Vehicles)	Support Services	Approved by SW Board
MA098	Emergency Response	Water	Delegated approval by SW Board
MA102	Biodiversity and Natural Capital	CE&FS	Approved by SW Board
MA074	Raw Water Storage	Water	Delegated approval by SW Board

MA09 5	Water Treatment Works - Water Quality Instrumentation	Water	Delegated approval by SW Board
MA09 9	Water Demand Management	Combined	Approved by SW Board
MA10 3	Climate Change	CE&FS	Approved by SW Board
MA10 4	Transformation	Transformation	Approved by SW Board
MA10 5	Access to Equipment	Combined	Awaiting approval by IG (Due 15/02/2022)
MA10 6	Secondary Disinfection	Water	Approved by IG. Pending SW Board approval

Annex B – Summary of Management Approach Reviews

a) Management approaches currently under review

Portfolio	MA Ref	Management Approach
Combined	MA018	Ironworks (Water and Wastewater)
Water	MA001	Recurring Customer Interruptions to Supply (Water)
Wastewater	MA026	Enabling Development - Wastewater Portfolio
Combined	MA027	Energy Efficiency (Water and Wastewater)
Water	MA070	Improve Pressure – Properties with Persistent Low Pressures
CE&FS	MA032	Enable Economic Growth Infrastructure Funding
Wastewater	MA035	Wastewater Outfalls
Wastewater	MA084	Wastewater Treatment Works Improvements

b) Management approaches to be reviewed in next 6 months

Portfolio	MA Ref	Management Approach	MA review date
Wastewater	MA024	Sludge Treatment Centres	Apr-2022
Water	MA060	Distribution Infrastructure - Network Valves	Apr-2022
Water	MA073	Distribution Infrastructure - Metering and Flow Monitoring	Apr-2022
Water	MA006	Water Treatment Capability	Jun-2022
Water & Wastewater	MA034	Customer Meters	Jun-2022
Support Services	MA071	Logistics (Vehicles)	July-2022



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