

Delivery Assurance Group

Progress Report on Performance Against the Committed List for Quarter 1 2022/23

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This document sets out how Scottish Water is progressing with the delivery of projects and programmes included on the 'Committed List' and confirms the position up to the end of June 2022 (Quarter 1 2022-23).

What We Monitor

Each quarter Scottish Water reports on its progress with the delivery of projects and programmes included in the **Committed List** as follows:

Section 1: Overview - to provide an overview of levels of investment compared to the Delivery Plan and highlight delivery risks that have or may impact progress.

Section 2: Indicator of Progress of Overall Delivery (**IPOD**) - to provide an insight to stakeholders on progress of projects on the Committed List compared with the forecasts set when the projects were committed to delivery - and to take learning from any variances.

Section 3: Progress of delivery of committed projects within **Water portfolio** - to provide stakeholders with a view of how the water portfolio is progressing.

Section 4: Progress of delivery of committed projects within **Wastewater portfolio** - to provide stakeholders with a view of how the wastewater portfolio is progressing.

Section 5: Progress of delivery of committed projects within **Customer Engagement, Flourishing Scotland and Support Services (CE&FS&SS) portfolio** - to provide stakeholders with a view of how of this portfolio is progressing

Section 6: Progress in delivering SR15 completion projects - to provide stakeholders with a view of how the planned completion portfolio, and projects delayed due to COVID and other risks, are progressing.

The request to monitor outputs at DAGWG has been noted and work is ongoing on system alterations to accommodate this in the future, and the DAGWG will be kept informed of progress.

Section 1 – Overview

Year 2 Tier 2 Investment to the end of Q1 2022-23 was £147m made up of planned repair and refurbishment (£101m), enhancement (including flooding) (£32m) and growth (£14m). It includes £15m invested on the delivery of projects that were planned to be completed in the previous period.

This level of Tier 2 investment was £5m below the central of forecast (£152m) and we are forecasting that we should hit our Delivery plan forecast of £645m within the forecast range of £620m to £690m at year end. Investment in responsive repair and refurbishment of assets and RCC (Tier 1a) for Q1 2022-23 was £36m.

Our key performance indicator (IPOD) remains within the target range.

Delivery Risks

We continue to monitor the 3 broad categories of risks that may impact our forecasts.

- Third Party risk: Potential delays due to third-party issues.
- Construction risk: Unforeseen delays from allowable events or poor performance on site.
- Construction market conditions.

The key risk continues to be construction market conditions as noted below.

Construction market conditions: These continue to change and evolve rapidly - cost pressures and availability of materials, labour, and commodities are challenging, the key areas of note are:

- **Price and availability of materials and commodities:** - Our procurement teams monitor all of our frameworks fortnightly to assess and mitigate the impact.
- **Planning:** - Our delivery teams continue to consider resequencing project design, planning and procurement following extension in lead times for some projects.
- **Resourcing and Skills:** - Our partners are seeing higher than normal staff turnover levels and shortages.

Section 2: Indicator of Progress of Overall Delivery

The Indicator of Progress of Overall Delivery (IPOD) provides a high-level measurement of Scottish Water's progress in delivering the Committed List for projects over £1m¹. It assesses the progress of these investment projects monitored across 3 delivery gates² 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 gates is assessed against the baseline³ level for the previous quarter (lower limit) and the subsequent quarter (upper limit). These points

¹ Forecast costs at the time of addition to the Committed List

² These are start on site, gate 100 (acceptance) and gate 110 (financial close)

³ The baselines are determined by the projects forecast dates at the time inclusion in the Committed List

are shown as absolute scores. Scottish Water is considered to be within the range where the number of points gained lies within the lower and upper limits.

At the end of June 2022, Scottish Water's IPOD position was on track at 371 points, against a range of 314 to 483 points (Figure 1).

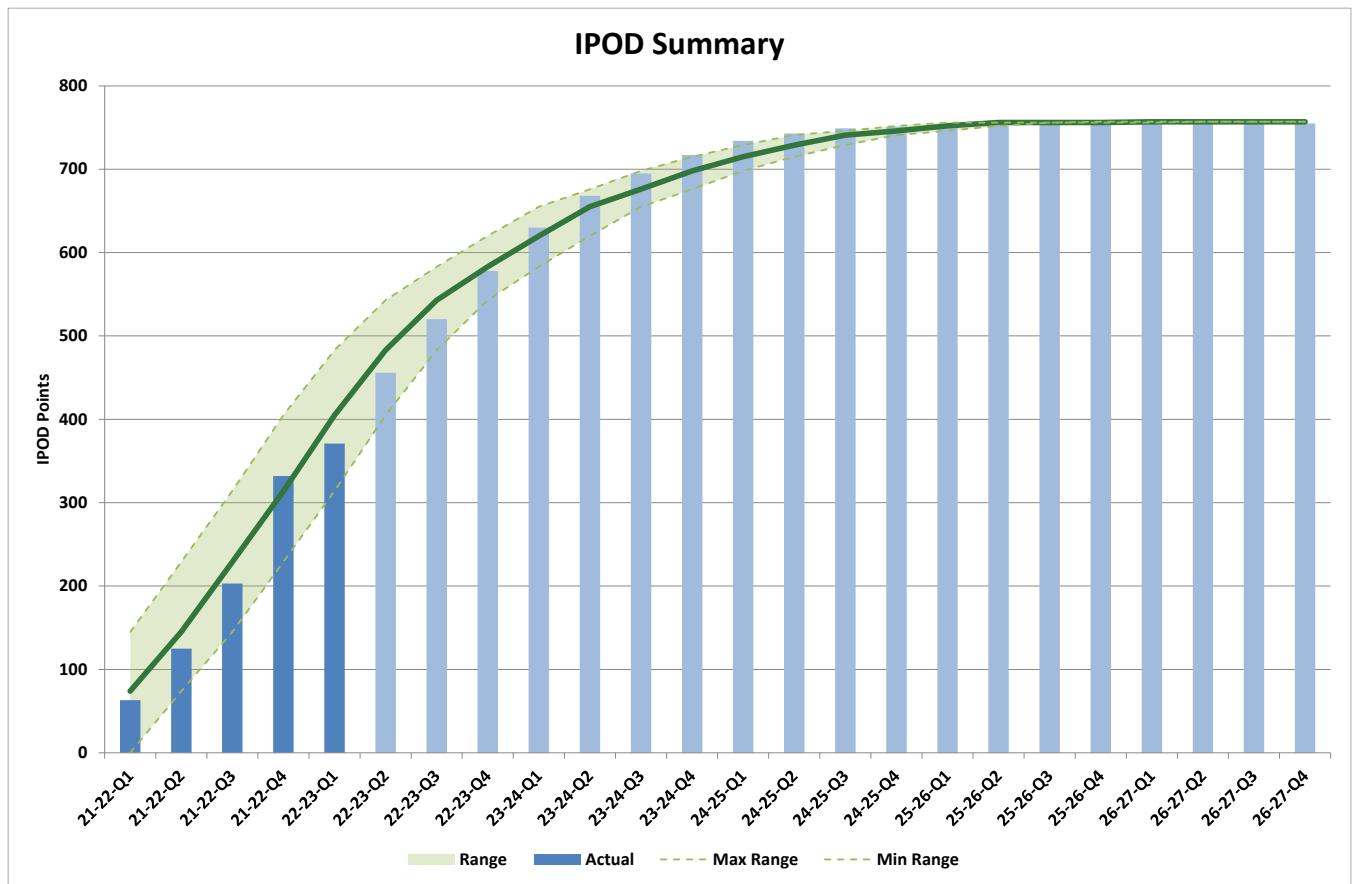


Figure 1: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023: The green line in the figure above shows the aggregate of the forecast dates in the Committed List (the baseline). The solid blue bars show Scottish Water's actual position, and the light blue bars show the forecast position for future months. The green area above shows the + or - 3 months target range (i.e., is the baseline from the previous and subsequent quarters respectively). Being above this shows that Scottish Water are more than 3 months ahead of their baseline and being below this shows that Scottish Water are more than 3 months behind their baseline.

Figures 2,3 and 4 below show the IPOD position at Quarter 1 2022-2023 by individual milestone:

Year to date performance on the Start on Site milestone is in the top half of the range.

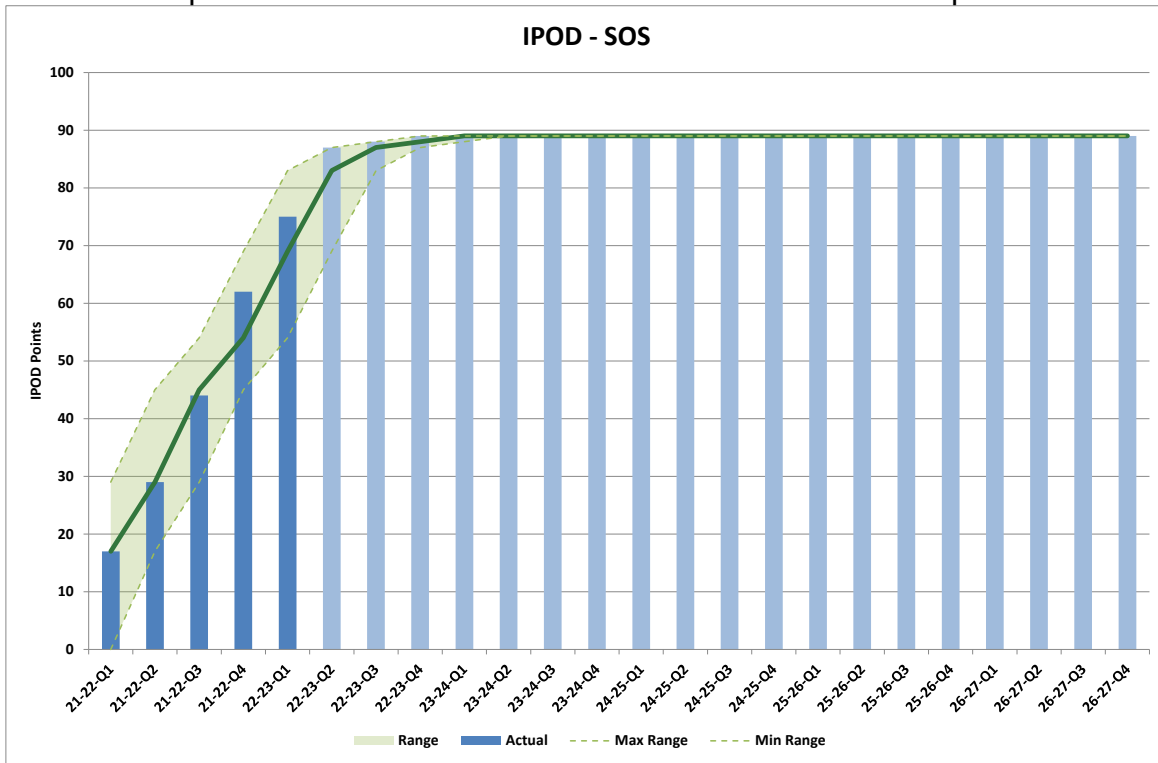


Figure 2: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022/2023 for Start on Site

Year to date performance on the Gate 100 (Project Acceptance) milestone is outwith the range (Figure 3) where 157 points were achieved to date with the target range being 181 -230. The realisation of risks for a number of projects has resulted in longer forecast delivery times on the Wastewater and Water portfolios which have moved the total position out with the target range. Explanation of this movement can be found in Sections 4 & 5. After the DAGWG full details of the projects impacted on the water portfolio have been explored bi-laterally between SW and DWQR.

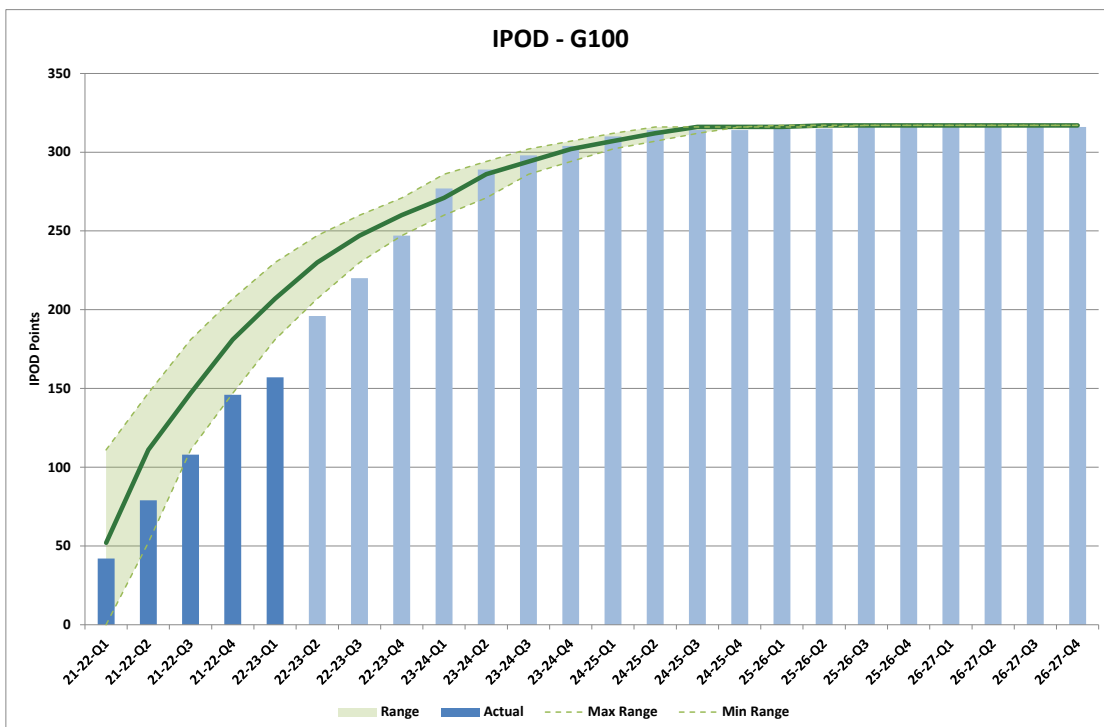


Figure 3: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 100 (Project Acceptance)

Year to date performance on Gate 110 (Financial completion) is at the middle of the range (Figure 4) where 139 points were achieved to date with the target range being 79 –170.

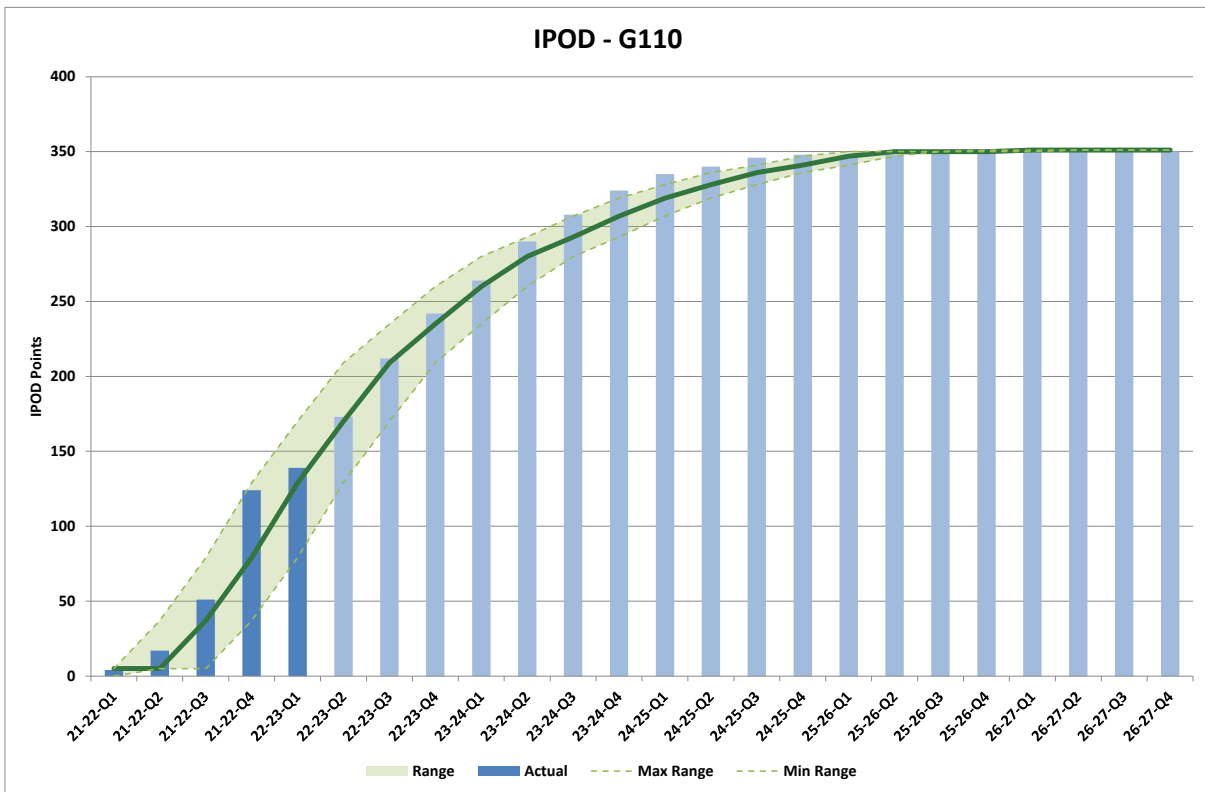


Figure 4: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 110 (Financial Completion)

Section 3: Overall Project Progress Water Portfolio

The Water Portfolio comprises 3 sub portfolios: SR15 Completion, Water Quality and Water Supply. Although the Gate 100 Acceptance milestone remains challenging improved performance on the Start on Site and Financial Completion Milestones means that the Q1 performance in the water portfolio is at the middle of the range (Figure 5). 193 points were achieved to date, 7 below the central forecast of 200.

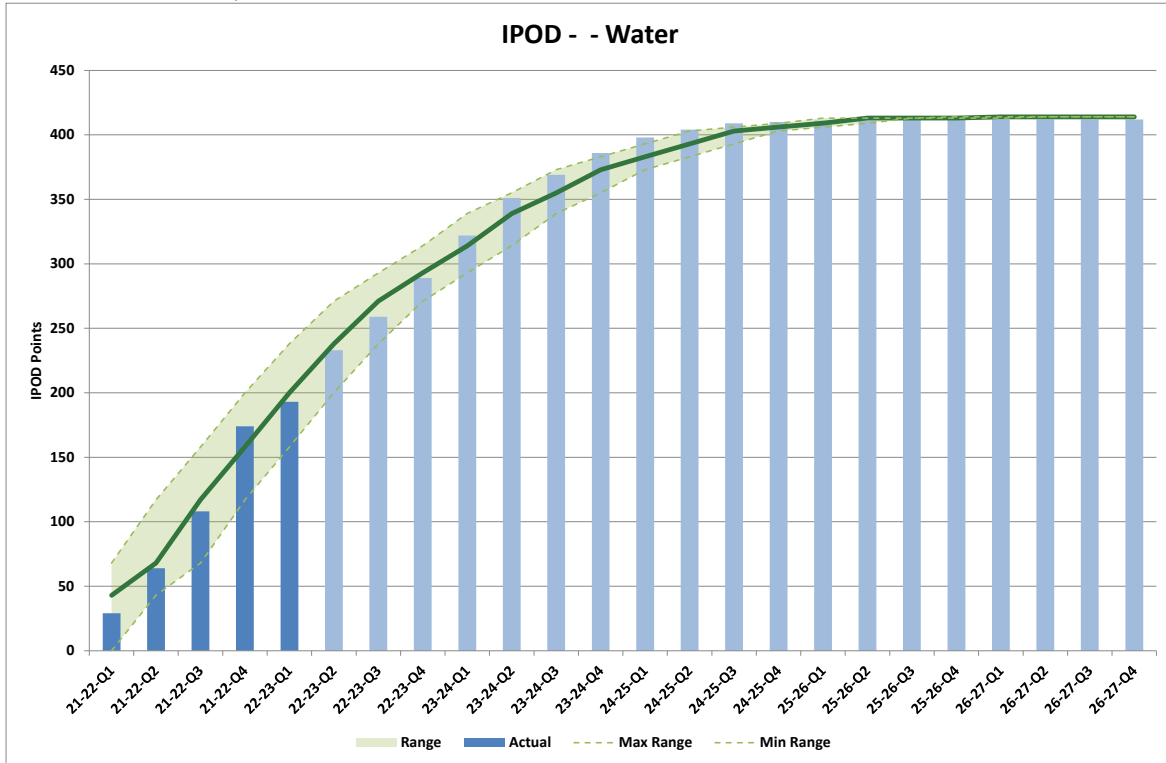


Figure 5: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for all Water Portfolio projects.

Performance on the Start on Site milestone (Figure 6) remains strong with one of the sub-portfolios achieving a start on site performance in the top half of the range with the SR15 and Water Supply sub-portfolios achieving the central forecast. 46 projects have now started on site, 10 of these in Q1 2022-23.

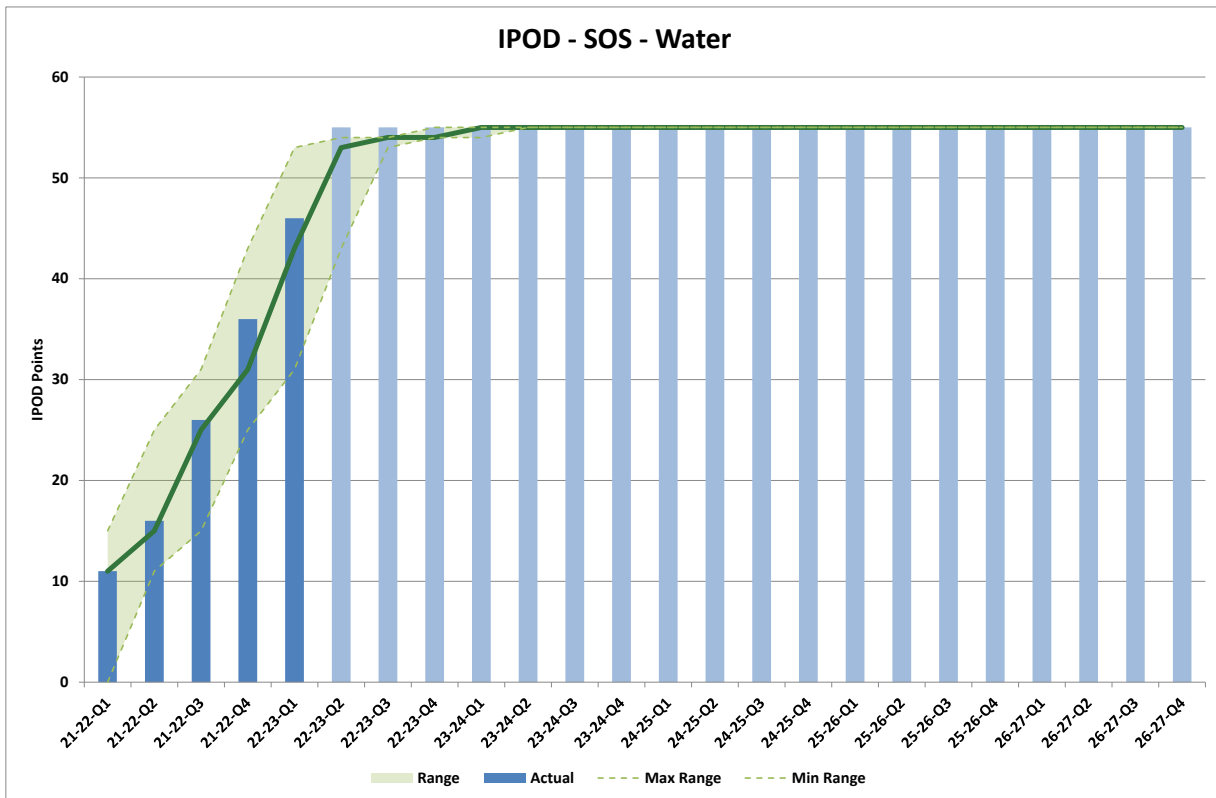


Figure 6: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022/2023 for Start on Site of all Water Portfolio projects

Gate 100 achievement on two of the subprogrammes has been impacted by risks being realised. At Q1 2022-23 we have dropped below the range with 72 projects achieving acceptance against a forecast range of 80 –104.

Seven projects in the SR15 Completion programme have been reforecast; 4 of these are due to 3rd party issues:- Yarrowfues WTW main-out , Back Tolsta (the scheme is service with customers benefiting but awaiting telecoms links to formalise acceptance), Ringford WTW and Ness WTW; 2 due to construction risks being realised (South Edinburgh Service Resilience due to faulty pipes and Uig WTW where additional scope was identified as necessary during construction); and 1 (Fair Isle) where the new asset is in service but not functioning adequately. 1 project IR18 Water Quality Improvement - Camps has been completed earlier than planned.

The acceptance of 13 projects in the Water Quality sub programme have been reforecast; 8 (Whitehillocks WTW, Pateshill WTW, Glenlatterach WTW, Ardrishaig WTW, Howden WTW, Tullich WOA - Oban North & South TWS Refurbishment, Whitehall DSR and Loch Ness Regional WTW Scheme, Tarbert WTW) due to risks being realised during construction. 2 (Bradán WTW and Daer CWT) due to additional scope being required to complete the projects. Whitehall and Loch Ness are both in service with customers getting the benefit. Kirkmichael WTW has been returned to the Plan stage to review alternative option as the operational solution identified has proven to be ineffective.

The Water Supply sub-portfolio remains on track with milestone achievement within the planned range.

We continue to work to understand and learn from risks to improve the forecast and delivery of new projects. When committing to the delivery of a project we balance the likelihood of delay due to risks against setting an over cautious target with the potential to lose focus on the need

to drive delivery. After the DAGWG full details of the projects impacted on the water portfolio have been explored bi-laterally between SW and DWQR.

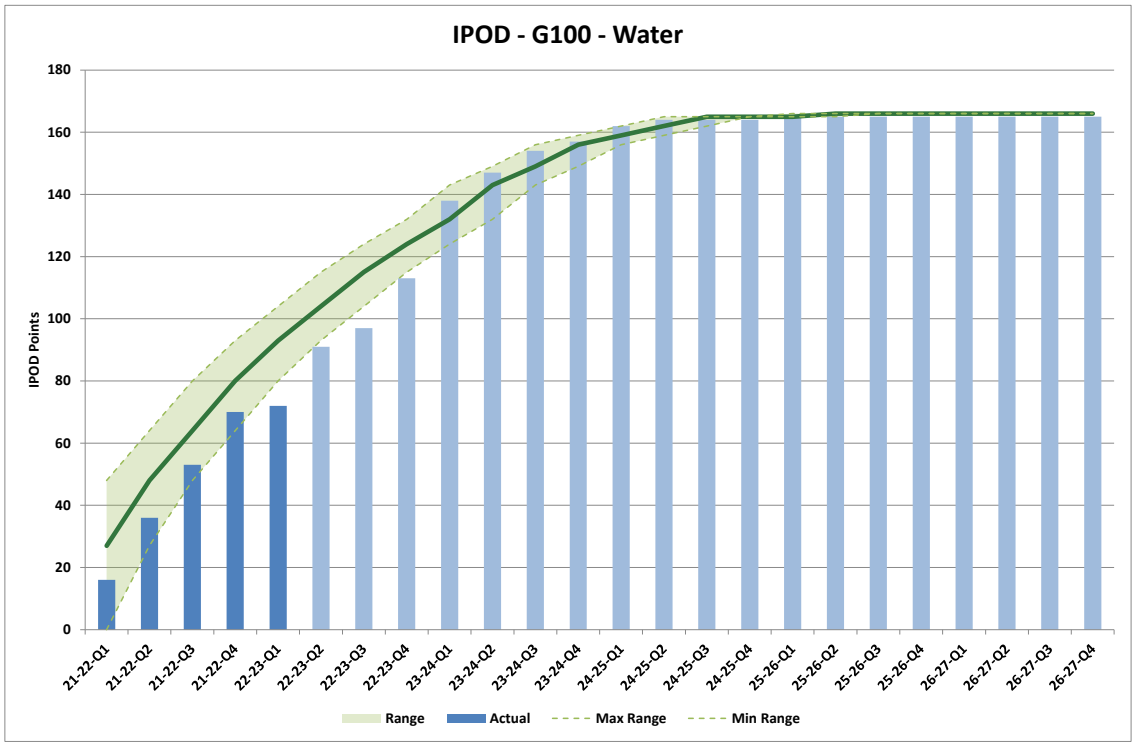


Figure 7: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 100 (Project Acceptance) of all Water Portfolio projects

Performance on the Gate 110 Financial Completion milestone (Figure 8) remains strong with all three of the sub-portfolios being in the top half of the range (Figure 8). 75 projects have now achieved Gate 110, 23 projects have achieved this milestone earlier than planned with 3 Water Supply projects, 5 Water Quality projects and 4 SR15 Completion projects forecasting to be delivered later than planned.

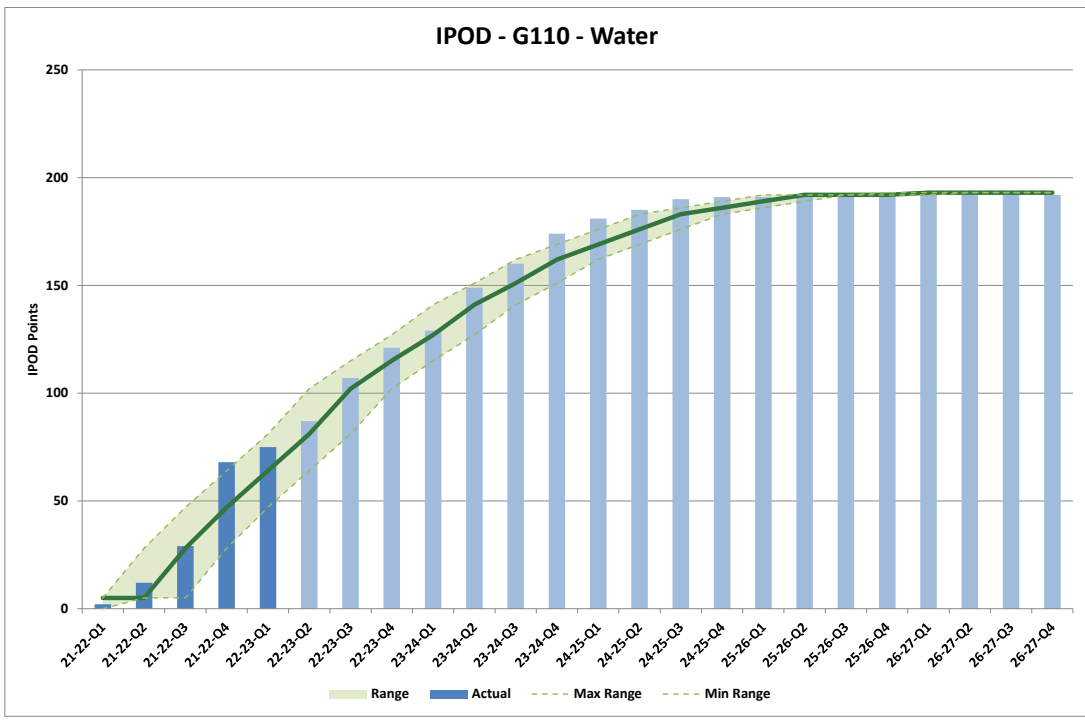


Figure 8: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 110 (Financial Completion) of all Water Portfolio projects

Section 4: Overall Project Progress Wastewater Portfolio

The Wastewater Portfolio comprises 3 sub portfolios: SR15 Completion, Wastewater Treatment and Wastewater Network. At Q1 performance in the Wastewater portfolio is within the target range (Figure 9). 147 points have been achieved to date within a target range of 133 – 211. The Gate 100 Acceptance milestone which continues to be challenging due to risks being realised

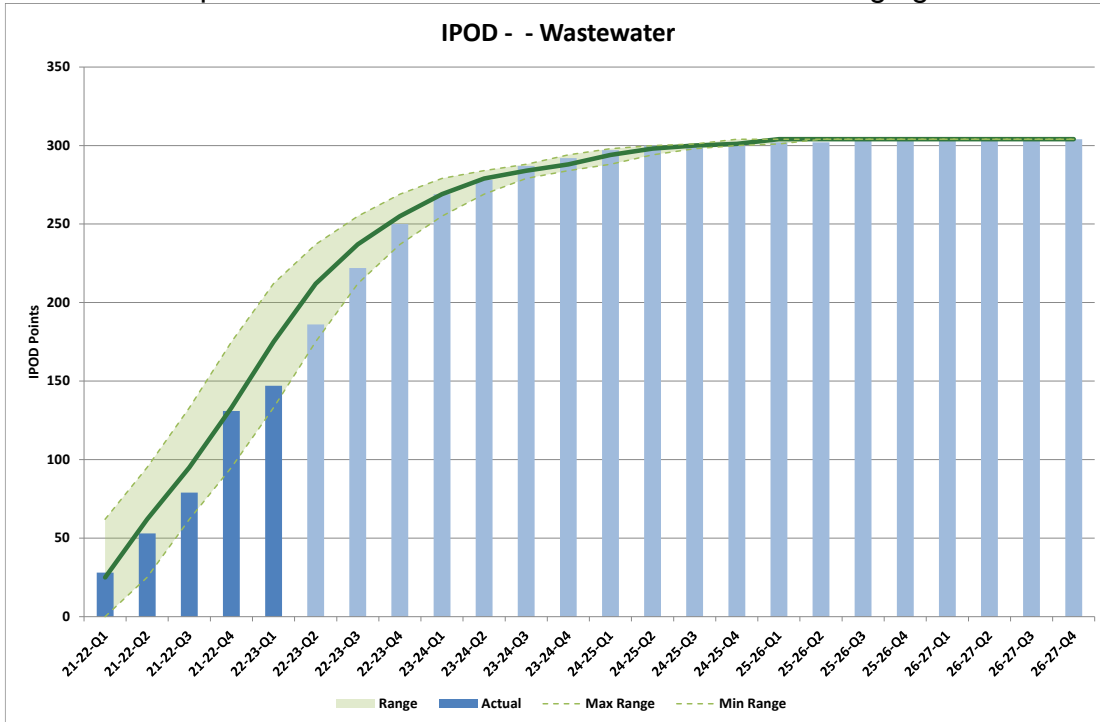


Figure 9: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for all Wastewater Portfolio projects

Performance on the Start on Site milestone (Figure 10) remains strong with two of the sub-portfolios within the range (Figure 10) with the WW Treatment sub-portfolio exceeding the range with 11 starts on site. 23 projects have now started on site, 3 of these in Q1 2022-23. 2 Wastewater Network projects (Clarkston Road, Glasgow and Sauchie Road, Crieff) and 1 Wastewater Treatment project (Newmachar WwTW – Growth). Both of these projects achieved a Start on Site earlier than planned.

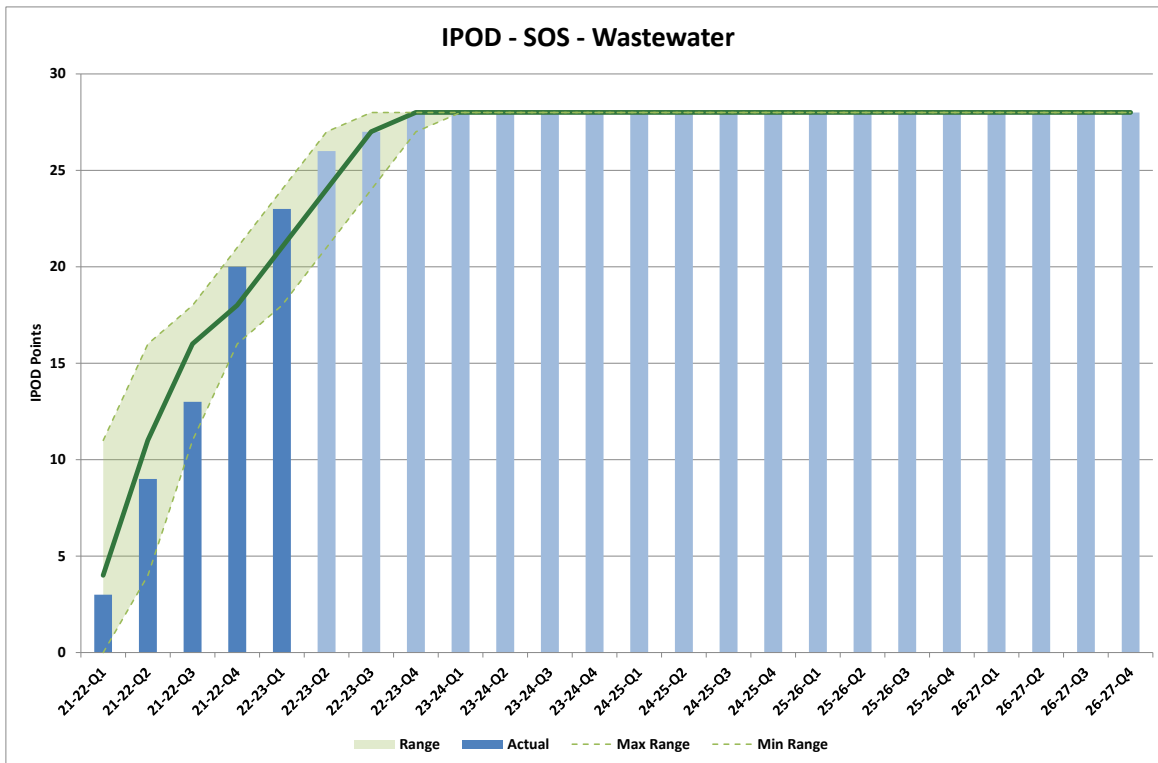


Figure 10: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Start on Site of all Wastewater Portfolio projects.

The Gate 100 milestone (Figure 11) has been impacted by risks being realised. 72 projects across all three sub-portfolios have been completed to date with 5 of these delivered this quarter. The delivery of a number of projects has been reforecast as outlined below.

In the SR15 Completion sub-portfolio the acceptance of 6 projects has been reforecast. 2 of these (Londornoch WTW Sludge Lagoon Upgrade and Dalmarnock WwTW Improvements) due to construction risks being realised and an additional 3 (S087 UID - Scotwood Overflow S043, Water of Leith Batch 10 and UID Cambuslang Road Richmond Laundry) due to 3rd party issues. 1 project (Newtonmore) start on site was delayed due to transfer from legacy delivery partner.

In the Wastewater Network Sub-portfolio, the delivery of 13 projects has been reforecast, 6 (Claredon Place Dunblane, Infra-Kingdom Park, Dunfermline Wellwood Wastewater Infrastructure and CAS Compliance Improvements - Networks East & North, Coalburn Road, Water of Leith Batch 4) due to 3rd party issues with land, power supply and road access. Construction risks have been realised for a further 4 projects and additional scope was identified for an additional 3 projects to allow the project to be delivered.

The delivery of 11 projects in the Wastewater Treatment programme has also been reforecast. 3 of these due to 3rd party issues around nesting birds and power (Canonbie WwTW - Upgrade Growth, Burrelton WwTW – Growth and Banchory WwTW - Growth). 7 are due to general construction risks. 1 project (Kirkconnel STW) required additional scope to allow the project to be completed. We continue to work to understand and learn from risks to improve the forecast and delivery of new projects. When committing to the delivery of a project we balance the likelihood of delay due to risks against setting an over cautious target with the potential to lose focus on the need to drive delivery.

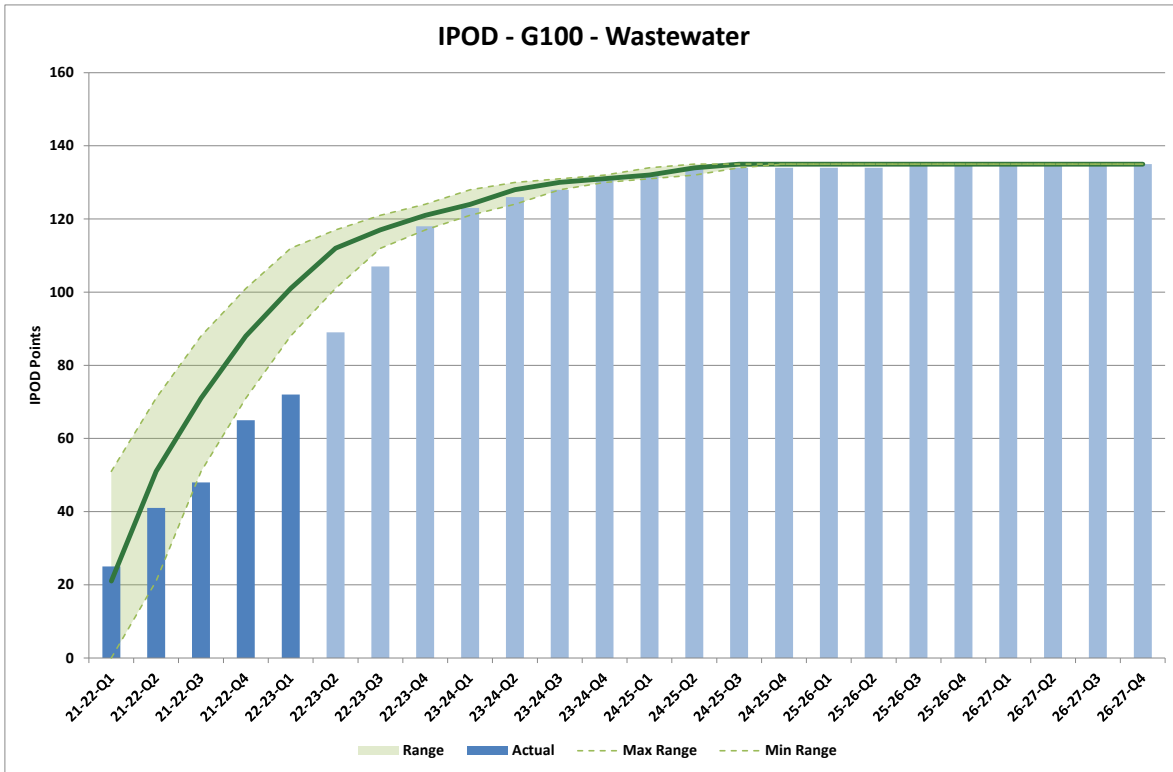


Figure 11: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 100 (Project Acceptance) of all Wastewater Portfolio projects

Performance on the Gate 110 Financial Completion milestone (Figure 12) is on target with all three sub-portfolios being within the target range. 52 projects have now achieved Gate 110, 6 of these in Q1 2022/23. 12 projects have achieved this milestone earlier than planned with 13 projects forecasting to be delivered later than planned as outstanding commercial issues are yet to be resolved.

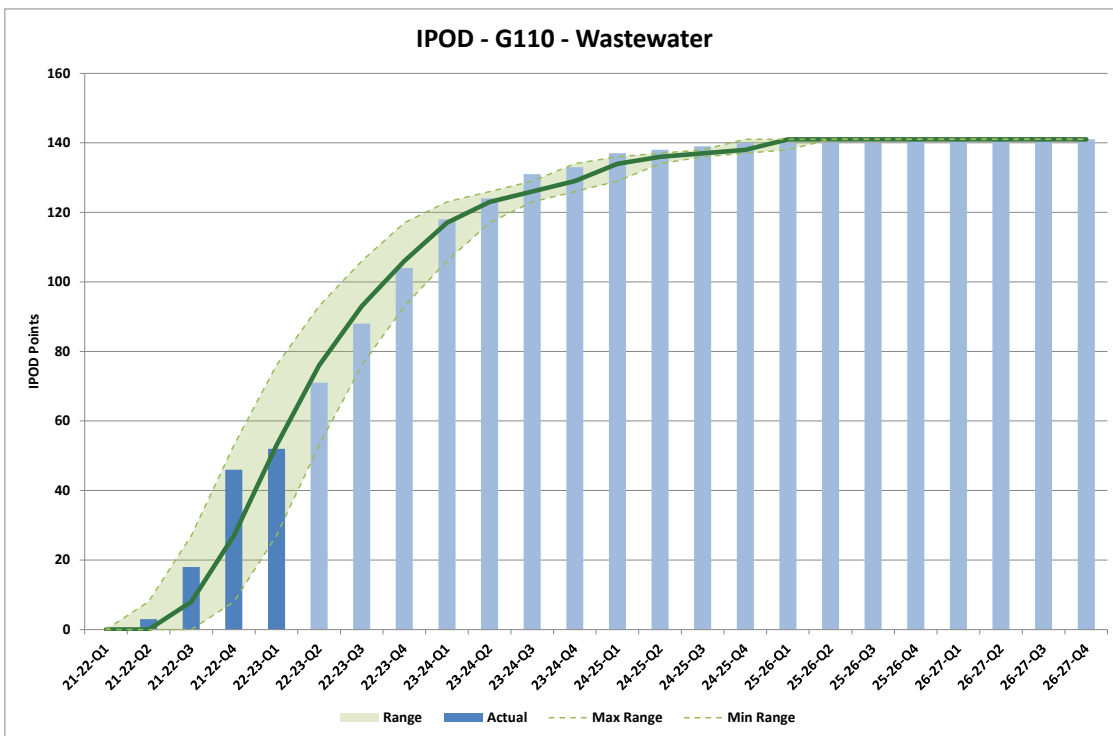


Figure 12: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 110 (Financial Completion) of all Wastewater Portfolio projects.

Section 5: Overall Project Progress CE&FS&SS Portfolio

The CE&FS&SS Portfolio comprises 4 sub portfolios: Digital, Flourishing Scotland, Property and Estates and Other Services. Year to date performance is at the middle of the range (Figure 13). All milestones are within the range.

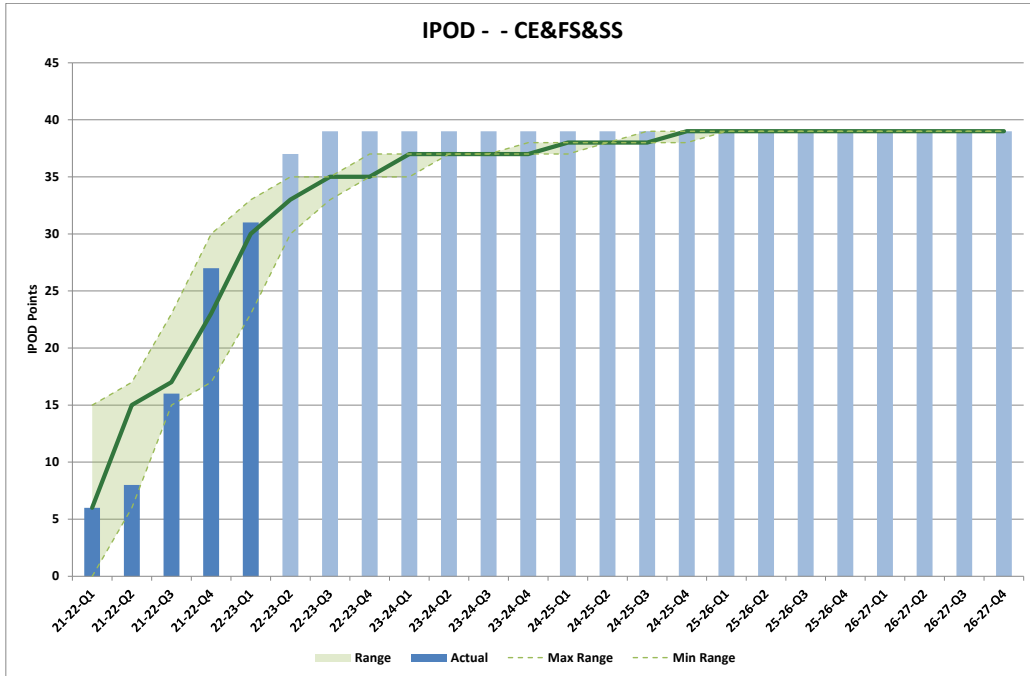


Figure 13: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for all CE&FS&SS Portfolio projects

Performance on the Start on Site milestone (Figure 14) remains strong. The Digital and Flourishing Scotland sub-portfolios achieved the central plan target. 6 projects have now started on site.

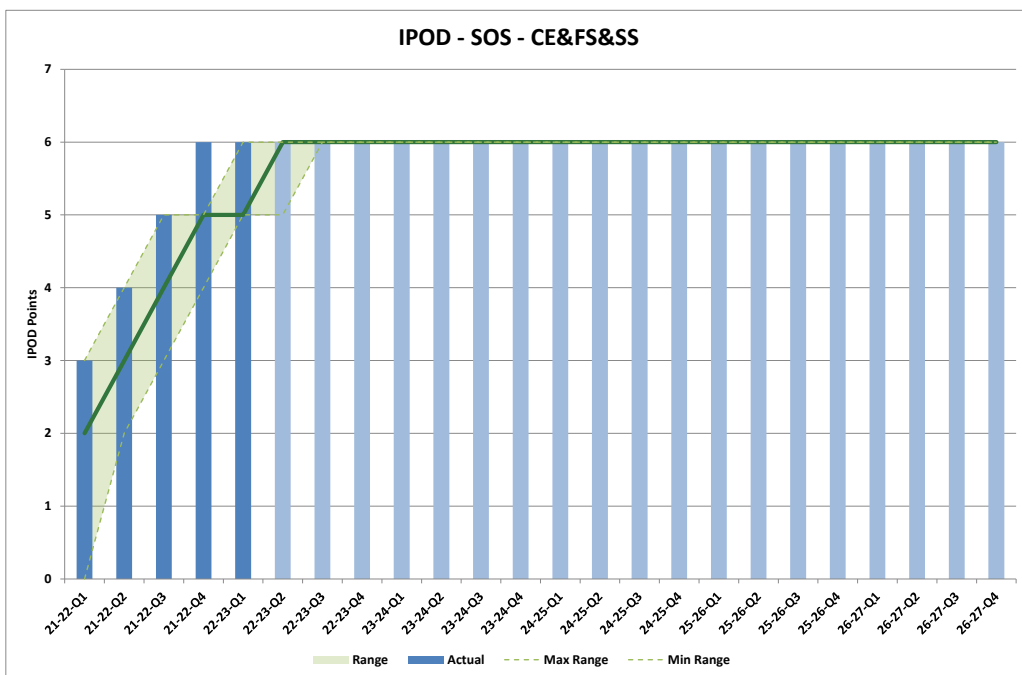


Figure 14: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Start on Site of all CE&FS&SS Portfolio projects

Q1 2022/23 has seen an improved position in Gate 100 milestone (Figure 15) with all 4 of the sub programmes now within the target range. 13 projects have now achieved GATE 100 Acceptance. 2 of these in Q1 (Cost Investment Intelligence Project - EES & SWISS Strategic Refresh Upgrade and IR18 Security Operations Tools). Both projects are within the Digital programme.

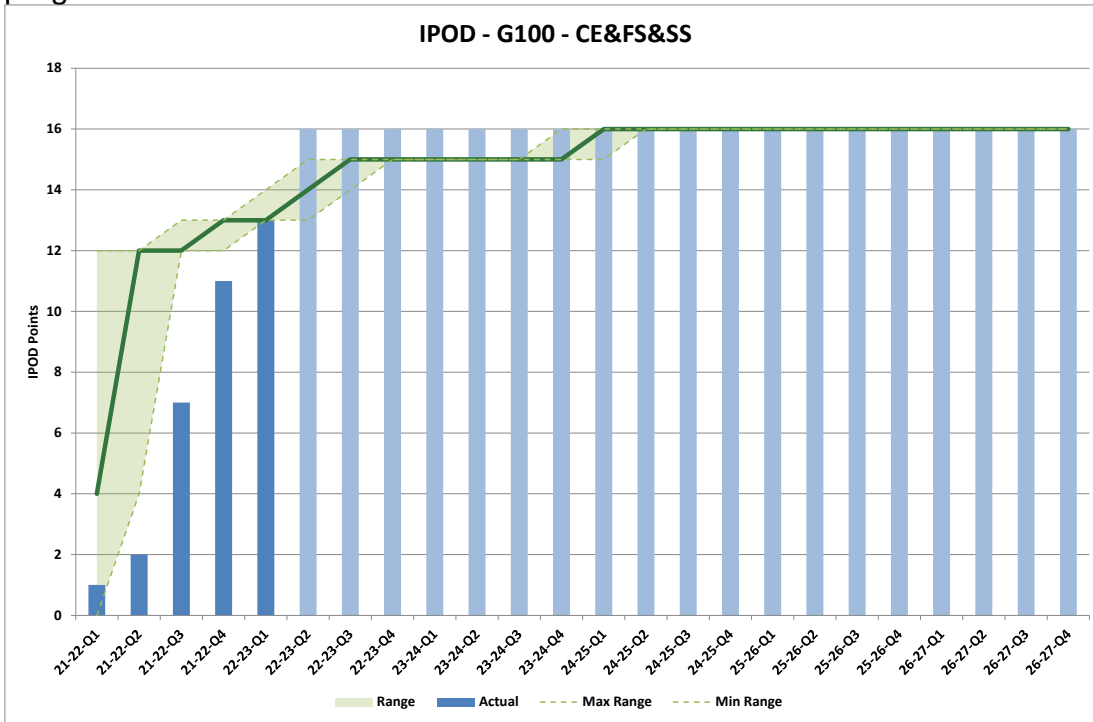


Figure 15: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 100 (Project Acceptance) of all CE&FS&SS Portfolio projects

12 projects have achieved the gate 110 milestone to date.

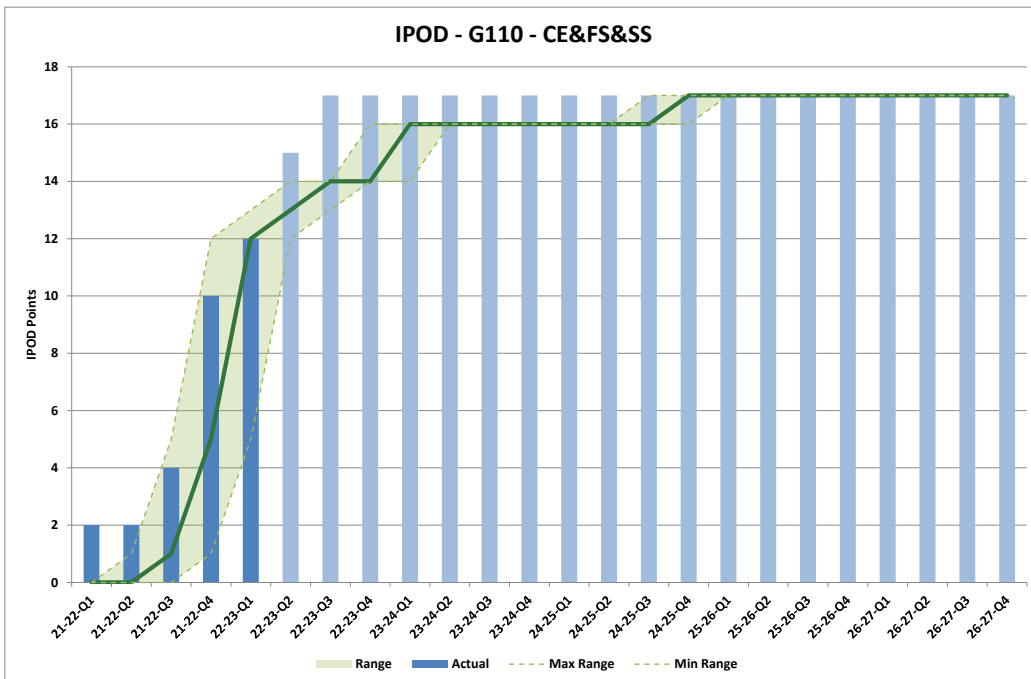


Figure 16: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2022-2023 for Gate 110 (Financial Completion) of all CE&FS&SS Portfolio projects

Section 6: Progress in delivering SR15 Completion projects

At the end of Q1 2022-23 we had planned to have 70 of the 86 delayed SR15 projects through acceptance. (Table 1). Due to the realisation of further risks on these projects 21 have still to achieve Gate 100 acceptance. 7 of these are now forecasting acceptance in Q2 2022-23 with a further 4 in Q3 2022-23 and 5 in Q4 2022/-. 4 projects are forecasting completion in 2023-24 with 1 project (Mannofield WTW) forecasting acceptance in Q1 2024-25.

The reasons for reforecast are: -

- The delivery of 6 projects has been reforecast due to 3rd party issues.
- The delivery of a further 11 projects has been reforecast due to construction risks being realised. An example of this is at Londornoch WTW where work has been extended due to both the volumes of sludge encountered and re-sequencing of the contractor programme to allow the new sludge balance tank to be commissioned prior to emptying sludge lagoon No.2.
- A further 3 projects have been reforecast as additional scope is required to complete the project. An example of this is at Dalmarnock WTW where additional drain down and cleaning of existing assets was required to support the capital works together with the identification and removal of asbestos on the site.
- 1 project Easdale - Seaview Cottage ST has been delayed pending confirmation of the proposed solution for the nearby Clachan Balvicar WwTW where trials to provide additional filtration/UV treatment to protect the receiving water are currently ongoing.

5 delayed projects are yet to start on site. These are:

- Rockcliffe Bathing Water where there has been significant community engagement on the location of the proposed works to minimise impact. The requirement to build the works below ground in hard rock as driven a considerable price increase and the proposed option is currently being re-evaluated;
- Roberton WTW where the operational solution trialled to provide pH correction and coagulation has not been successful and a new project is being developed;
- Picketlaw WTW Main Out where the proposed solution has been re-evaluated to take into consideration the impact on the availability of supply of the hot weather experienced last summer incorporating a different pipeline solution fed from two separate zones to meet the demand patterns;
- Boardhouse WTW where the proposed scope was found to be undeliverable. On investigation considerable siltation was found at the inlet pipe and this will have to be addressed before any screening at the inlet is considered;
- West Lewis where the project had been delayed due to the discovery of a crannog. We have also experience 3rd party issues around land together with environmental concerns over the proposed access road. A revised project scope has now been agreed.

Table 1: SR15 completion programme project status. Individual named projects in this category can be found by filtering the Committed List by column E

Stage	Delayed Projects			Planned Projects		
	Forecast at March 2021	Actual at Q1 2022-23	Variance	Forecast at March 2021	Actual at Q1 2022-23	Variance
Pre Start on Site	3	5	2	4	6	2
In Construction	13	32	19	9	15	6
Construction Complete	70	49	-21	44	36	-8
Total	86	86	0	57	57	0

36 of the SR15 projects originally planned for delivery post March 2021 have now achieved Gate 100 acceptance against a target for Q1 2022-23 44. Milnby Weir eel pass previously reported as being delivered later than planned was completed in Q1 2022-23. 2 projects (Improvement to Supply-Demand Balance - Stornoway WRZ and Water Quality Improvement - Camps RSZ) have been delivered ahead of plan. While 10 projects have been impacted by delays; Kirkmichael WTW has been returned to the plan stage as the promoted solution was not successful with the remaining projects impacted by design / construction delays. 4 of these projects are forecasting completion in Q2. The remaining projects, except for Kirkmichael where a revised solution is still to be confirmed, are forecasting to be complete by the summer 2023-24.

Conclusion

The DAGWG is invited to note that:

- At the end of Q1 2022-23 of the new regulatory period Tier 2 Investment was £147m made up of planned repair and refurbishment (£101m), enhancement (including flooding) (£32m) and growth (£14m).
- Scottish Water’s IPOD position at 371 points is on track against the forecast dates in the Committed List.
- There has been some slippage on the ‘Acceptance’ milestones in the water and wastewater and completion programmes due to risks materialising. This has resulted in a number of acceptance dates being re-forecast and learnings taken on board for future commitments.



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