

Water Industry Investment Group (WI IG)
Progress Report on Performance Against the Committed List for Quarter 1 2025/26

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1. Purpose

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 2025 (Q1 2025/2026).

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 2: Executive Summary – to highlight key findings and to provide an overview of levels of investment compared to the Performance and Prospects Report and highlight delivery risks that have, or may, impact progress.

Section 3: 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 4: Progress in delivering SR15 completion projects – to provide stakeholders with a view of how the planned completion portfolio, and projects delayed due to Covid-19 and other risks, are progressing.

Section 5: Conclusions

Section 6: Appendices

A Glossary of Terms can be found in Appendix B – this will be added to over time.

Further to discussions with sector stakeholders at the end of 2023/24, it was decided that the Progress on Performance Against the Committed List Report would be significantly condensed. The report now summarises Portfolio and Sub-portfolio-level progress in a more succinct way (Appendix A).

Gate 100 (Acceptance) milestones currently forecast in SR27 are detailed in Appendix C – Current SR27 Delivery Commitments.

2. Executive Summary

2.1 Progress with Investment

Scottish Water's (SW's) investment programme is one of the largest infrastructure programmes in Scotland – delivering the vital assets that enable us to maintain and improve the water and wastewater services people depend on every day - and supporting growth and development to

ensure that communities can flourish. Communities across Scotland, be it a town, city or village depend on our pipes and treatment works to deliver essential services.

At the end of Q1 2025/26, we have invested £233m on Tier 2 projects and sub-programmes. This investment includes £53m of enhancement (including flooding), £4m of SR15 Completion, £16m of growth and £161m in asset replacement, planned repair, refurbishment and inspections. Responsive repair, refurbishment and inspections expenditure was £69m which takes the total investment to £302m.

Through our people and partners and by continuing to transform, innovate and work with communities and customers, we continue to deliver year on year growth in investment.

2.2 Progress with Delivery Against Forecasts

Investment needs are identified and then a balanced programme is created through considered prioritisation, which will contribute to meeting objectives set out by Ministers for the regulatory period. Once these needs are developed, associated investment projects and programmes of work are created and are committed to. Updates are then given to Water Industry Investment Group (WI IG) via the 'Progress to Committed List' report. The 'Committed List' is, therefore, updated dynamically and forecasts for delivery are included.

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 £1.0m. It assesses the progress of these investment projects monitored across 3 delivery gates (Start on Site, G100 Acceptance, and G110 Financial Completion), combining this information to give an overall score with the intention of gaining and implementing learning and monitoring delivery. The overall capital programme is considered 'on track' if IPOD is within the target range.

All projects are worth 3 points, irrespective of value, size, complexity or duration. However, projects that were added onto the Committed List at the end of March 2021 and were already 'in flight' at that time, only had points allocated for future milestones. Any previously achieved milestones were excluded from both the target and the actual.

This IPOD indicator currently sits on track at 1,221 points, against a range of 1,148 to 1,279 points. For the 3 delivery gates, progress is:

- Start On Site: 340 points against a target range of 322 to 354 points.
- Acceptance: 447 points against a target range of 431 to 481 points.
- Financial Completion: 434 points against a target range of 395 to 444 points.

The performance of projects starting on site remains strong and well within the target range.

The performance of the 'Acceptance' milestone remains within the target range following recovery throughout 2023/24 and 2024/25, driven by reporting improvements with increased visibility and a focus on quarterly delivery.

The financial completion milestone remains in the upper part of the target range at Q1 2025/26.

Before committing to the delivery of a project we carefully consider the balance of the likelihood of delay due to risks compared with setting an over cautious target that may lose the focus and need to drive delivery. We continue to identify learnings that can be used for future projects.

On the SR15 Completion programme, a deep dive was held with SG IG WG in August 2024. Scottish Water continues to undertake deep dives on this programme ensuring that opportunities are explored to see where we can advance the projects to meet the SR15 commitments sooner. It is acknowledged that the remaining projects are proving to be the most challenging. The Investment Planning and Prioritisation Framework (IPPF) mitigates similar issues occurring in this period as projects are only added to the Committed List after conclusion of optioneering.

Regular bilateral meetings are held with DWQR and SEPA where projects of specific interest to these stakeholders including SR15 completion projects are reviewed to give detailed updates on progress on projects and answer any queries.

Scottish Water monitors actual costs at final account compared with forecasts at the time of commitment (IFAC). The target range is between +/- 5%. We continually look for opportunities for gaining and implementing learning to feed into future projects. At the end of Q1 2025/26, the IFAC indicator was 99.5%. This is within the target range, and below 100% due to the outturn cost of projects achieving G110 being collectively lower than that agreed at commitment.

2.3 Ongoing Delivery Risks: What are they? How do we mitigate them and how do we continue to learn?

Scottish Water continue to monitor and endeavour to mitigate the three broad categories of risks that may impact our forecasts:

- Third Party Risk - Potential delays due to third-party issues. *Mitigated through our prepare process and close relationships with third parties.*
- Construction Risk - Unforeseen delays from allowable events or poor performance on site. *Mitigated by collaborative working with our delivery partners.*
- Construction Market Conditions – *Mitigated through project planning.*

Construction market conditions:

Supply chain inflationary pressures have generally eased off however we have not yet seen the full effect of recent employer National Insurance cost increases filter through. Additionally, the global economy remains fluid, and the remaining threat of tariffs is still causing uncertainty. Our Procurement & Supply Chain function continues to monitor these areas to identify potential impacts as they arise.

Construction labour cost increases are still being forecast to remain above inflation for the next 12 months.

As mentioned last quarter, lead times on MCC's have generally returned to historic norms (6-8 weeks) however we continue to monitor the situation, and any identified issues are being actively managed.

The DV4 procurement continues to progress to schedule with the Invitation to Negotiate (ITN) 2.1 evaluation now concluded. ITN2.2 launched in early June 2025 to further assess leadership, culture & behaviours, as well as building the core contractual schedules with the bidders that will be required to operate the Enterprise. Within this phase we are performing due diligence checks and premises visits to validate the claims made by bidders and undertaking Safety, Health & Wellbeing site audits. Furthermore, within ITN2.2 there will be several rounds of commercial iteration and feedback with bidders to gain a refined commercial submission whilst also concluding agreement to the Enterprise Agreement by the end of August 2025. ITN3, which will launch in September will also include the final negotiations and commercial submission ahead of concluding the procurement evaluation by the end of October 2025.

Additionally, we are progressing the procurement of our digital supply chain for SR27. For the Managed Service Agreements, the evaluation of pre-qualification questionnaire (PQQ) responses is complete and a tender shortlist created. ITN1 was published 9th July 2025 with a return date of 15th August 2025. The ITN1 bidders day was held on 16th July 2025. The shortlist for ITN2 will be complete by the end of September 2025. Further multi-supplier framework agreements to provide specialist support to Digital have been advertised and we have received PQQ responses for Operational Technology Support and Digital Transformation Services.

2.4 Conclusions

The WI IG is invited to note that at the end of Q1 2025/26:

- All key performance metrics are within target range with challenges still being experienced with the SR15 delayed projects.
- The overall milestone indicator (IPOD) is within the target range of 1,148 to 1,279 points at 1,221 points.
- G100 (Acceptance) IPOD remains within target range, at 447 points against a target range of 431 to 481 points.
- G110 (Financial Completion) IPOD remains in-range, with 434 points against a target range of 395 to 444 points.
- The SR15 Completion programme remains a challenge, where 125 projects (73 "Delayed projects" and 52 "Planned projects") have been delivered against a March 2021 forecast of 143 projects (86 "Delayed projects" and 57 "Planned projects"). This performance has been due to a combination of changes in scope and third-party challenges on already complex projects.

3. 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 £1.0m¹. It assesses the progress of these investment projects monitored across three delivery gates 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 baseline² level for the previous quarter (lower limit) and the subsequent quarter (upper limit). These points are shown as absolute scores. Scottish Water is considered to be within the target range where the number of points gained lies within the lower and upper limits.

At the end of June 2025 (Q1 2025/26), Scottish Water's IPOD position was on track at 1,221 points, against a range of 1,148 to 1,279 points. (Figure 1).

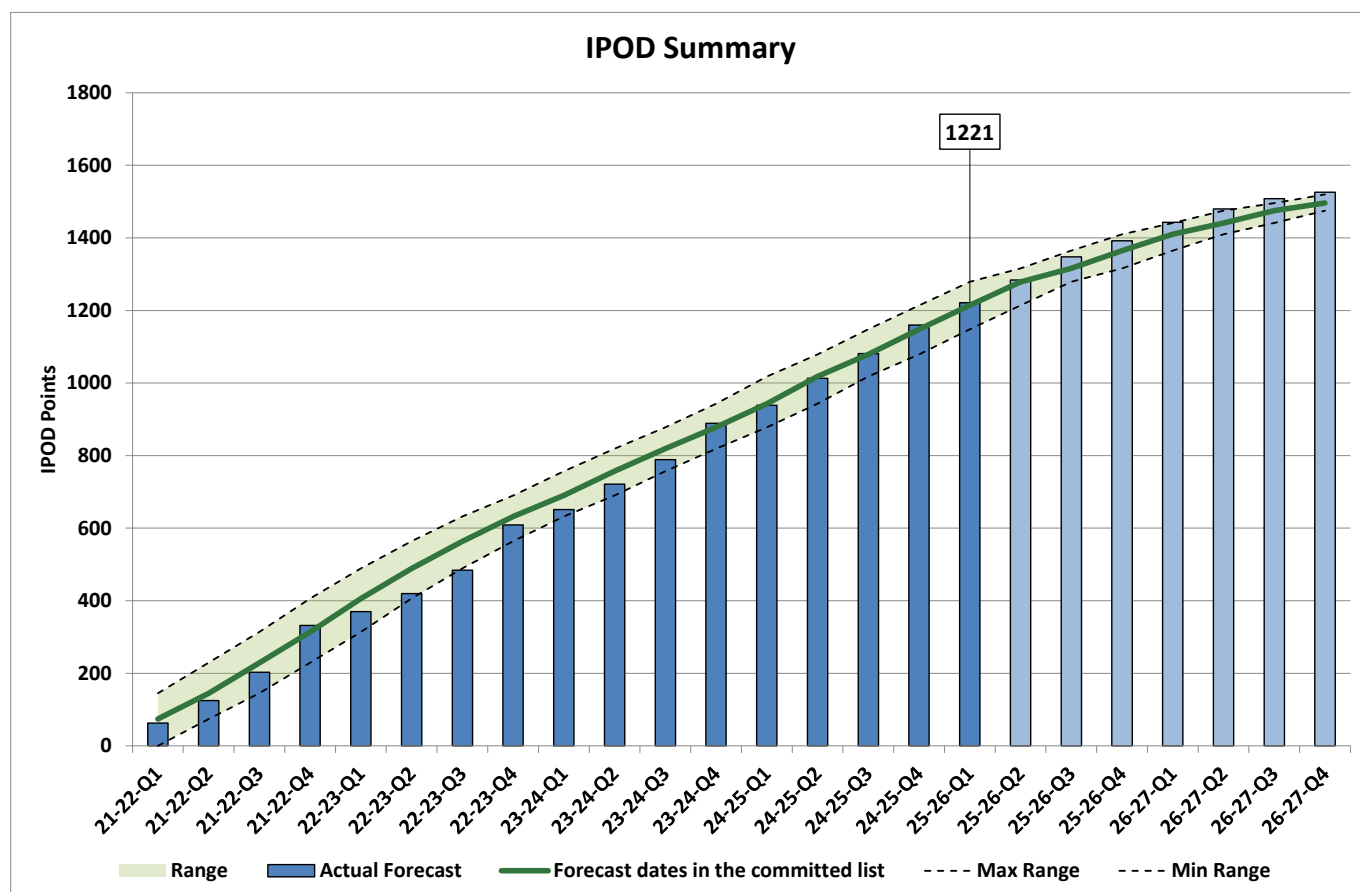


Figure 1: Indicator of Progress of Overall Delivery (IPOD) at end Quarter 1 2025/2026

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

² The baselines are determined by the projects forecast dates at the time inclusion in the Committed List

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., the baseline from the previous and subsequent quarters respectively). Being above this shows that Scottish Water is more than 3 months ahead of the baseline and being below this shows that Scottish Water is more than 3 months behind the baseline.

Figures 2, 3 and 4 below show the IPOD position at Q1 2025/2026 by individual milestone.

3.1 IPOD – Start On Site

16 projects started on site during Q1 bringing the total number of projects achieving the Start On Site (SOS) milestone to 340 with performance being in the centre of the range of 322 to 354 points.

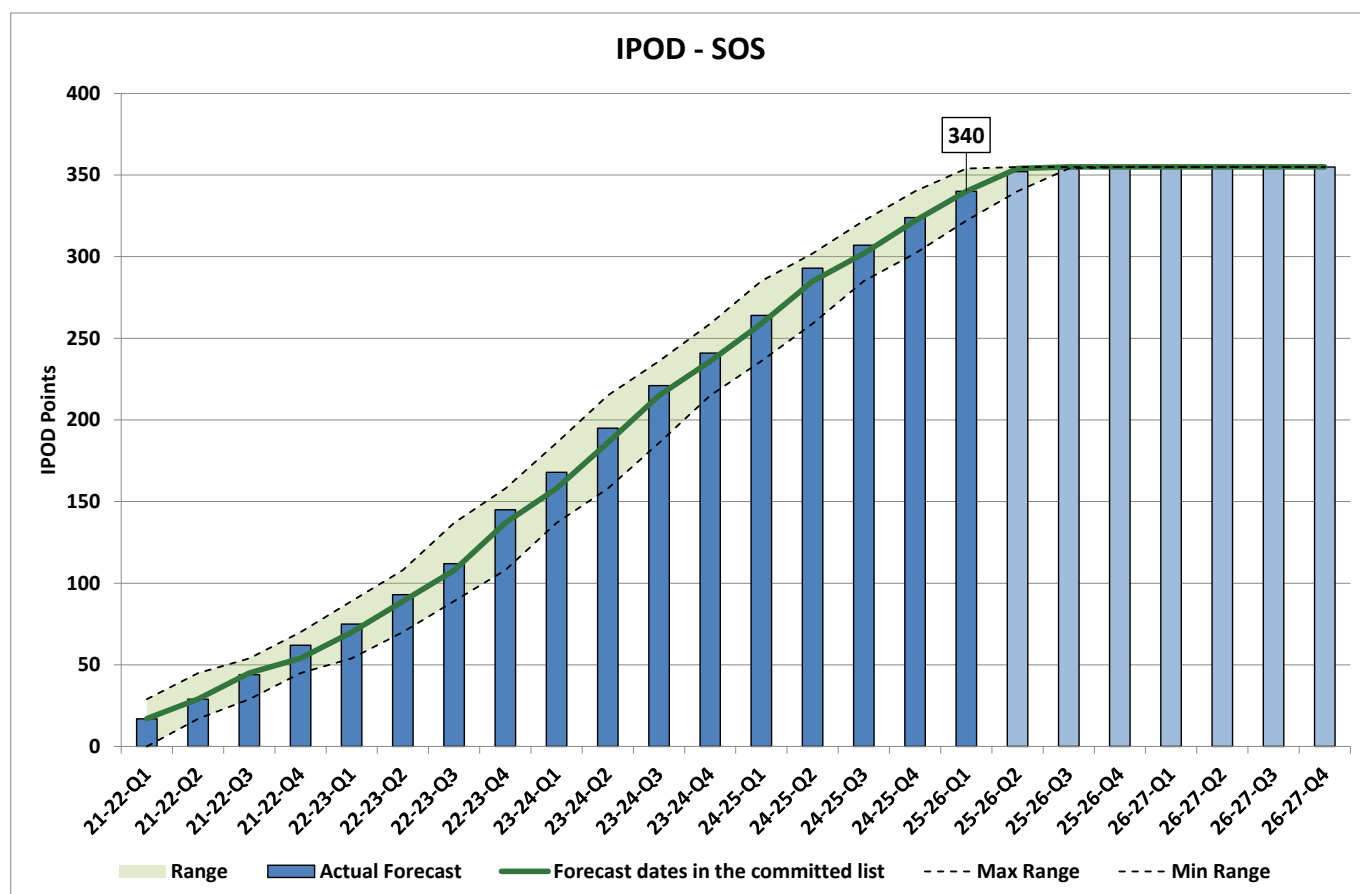


Figure 2: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2025/2026 for Start On Site

3.2 IPOD – Acceptance

21 projects achieved acceptance during Q1, bringing the total number of completed projects delivering benefit to customers to 447 which is in the bottom half of the range of 431 to 481 points.

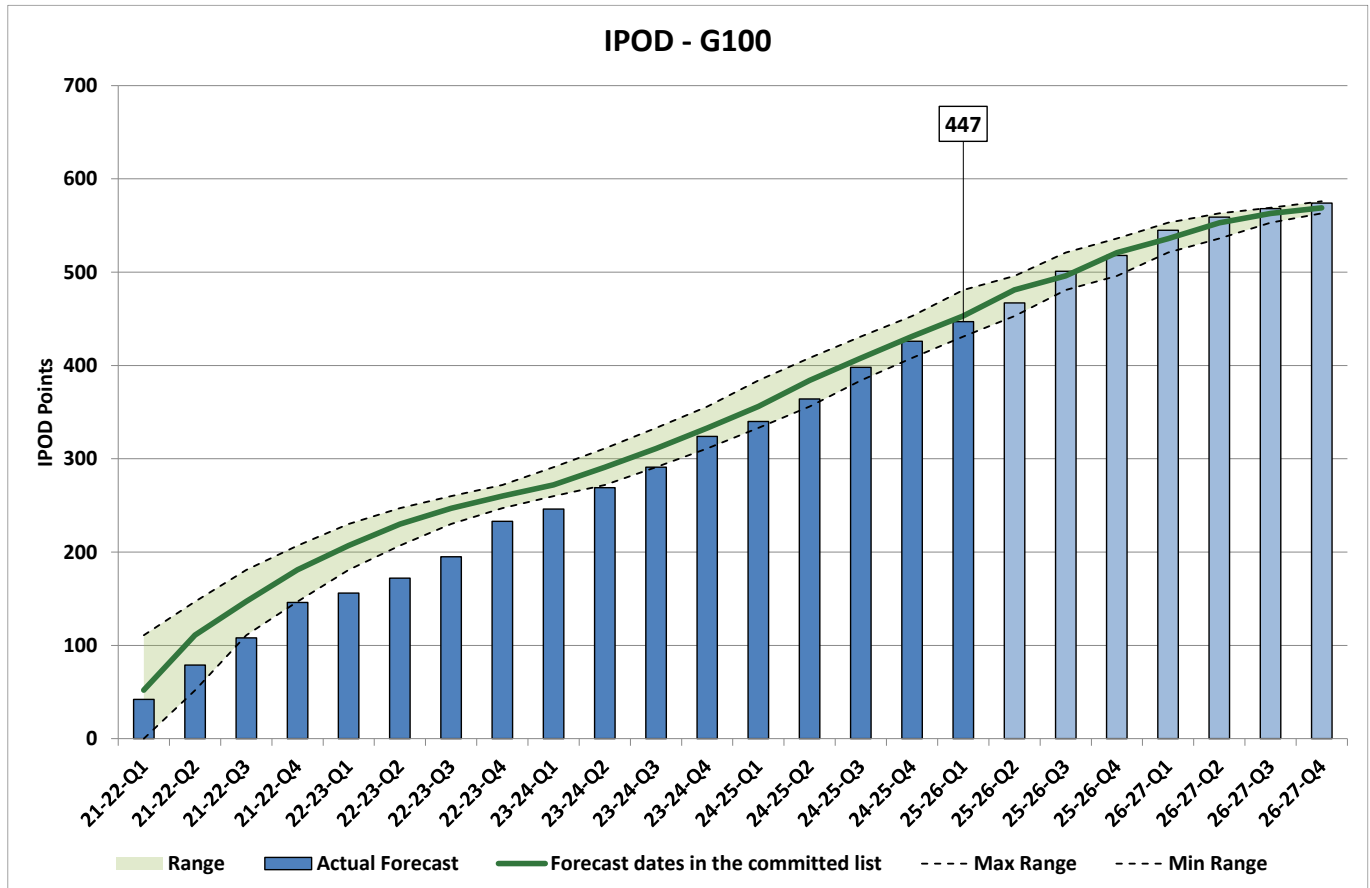


Figure 3: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2025/2026 for Gate 100 (Acceptance)

3.3 IPOD – Financial Completion

24 projects achieved financial completion during Q1, taking the total achieved to 434 which is in the top half of the range of 395 to 444 points.

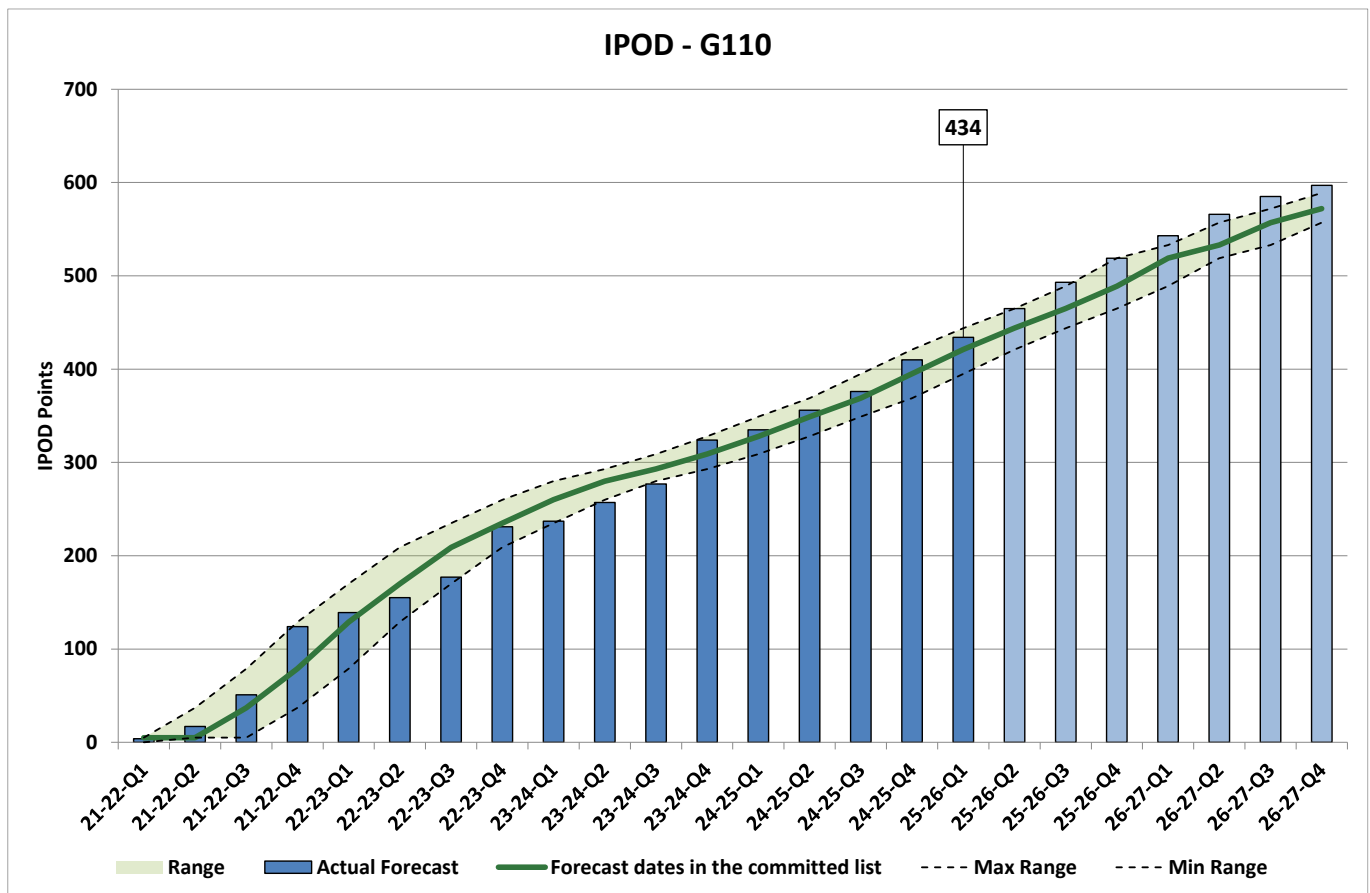


Figure 4: Indicator of progress of Overall Delivery (IPOD) at Quarter 1 2025/2026 for Gate 110 (Financial Completion)

4. Progress in delivering SR15 Completion Projects

There are two categories of SR15 Completion projects:

- Delayed Projects – projects that were expected to complete by the end of SR15 but were impacted by Covid-19, re-optioneering, scope change, construction risk and third-party risk.
- Planned Projects – projects that commenced in SR15 but were always expected to complete during SR21.

Table 1 below summarises the current status of each category.

Table 1: SR15 completion programme project status.

Stage	Delayed Forecast at March 2021	Delayed Actual at Q1 2025/26	Delayed Variance	Planned Forecast at March 2021	Planned Actual at Q1 2025/26	Planned Variance
Pre Start on Site	0	1	1	0	1	1
In Construction	0	12	12	0	4	4
Construction Complete	86	73	-13	57	52	-5
Total	86	86	0	57	57	0

The remaining investment represents less than 1.5% of the total SR15 programme.

Further explanation follows below.

4.1 Delayed Projects

We have 13 delayed projects (1 pre-start on site and 12 in construction - shown in the 'Actual at Q1 2025/26' column of Table 1) to achieve Gate 100 Acceptance.

Two Delayed projects achieved Acceptance in Q1 2025/26:

- 501232 Whitehillocks WTW - Quality and CM
- 502930 Easdale - Seaview Cottage ST (Option 1A Part 1)

There is 1 Delayed project pre-construction:

- Rockcliffe Bathing Water (BW) - Improvement to Sufficient Status: Scottish Water met with SEPA in June to provide an update on the development of Option 3 which involved making permanent the existing, temporary chemical dosing arrangement at Kippford WwTW.

SW and SEPA have collectively agreed that it is not technically and financially viable and this option is now discounted. It was further agreed that the Project Team will further develop options 1 and 4 to allow comparative evaluation; and that this next phase of work should complete in time for a further meeting in October 2025. Temporary Dosing solution will operate at Kippford during 2025 Bathing Water Season as in previous years.

4.2 Planned Projects

52 projects have now achieved Gate 100 (Acceptance) against a target for Q1 2025/26 of 57.

The following Planned projects are yet to start on site:

- South Uist WTW New Source: We have now received the final hydraulic modelling report to assess the full potential for bringing water down from Benbecula. This is now being reviewed to inform the final option to be promoted.

More detail on the SR15 Completion projects is given in the presentation slide decks shared and discussed with DWQR and SEPA. Please note that the reporting timeframe used for these slides does not align with those used for this paper. (Link to slides decks [Here: Link to DWQR & SEPA Presentations](#)).

5. Conclusions

The WI IG is invited to note that:

- At the end of Q1 (2025/26), all key performance metrics are within target range with challenges still being experienced with the SR15 delayed projects.
- The overall milestone indicator (IPOD) is within the target range of 1,148 to 1,279 points at 1,221 points.
- G100 (Acceptance) IPOD remains within target range, at 447 points against a target range of 431 to 481 points.
- G110 (Financial Completion) IPOD remains in-range, with 434 points against a target range of 395 to 444 points.
- We have invested £233m on Tier 2 projects and sub-programmes. Responsive repair, refurbishment and inspections expenditure was £69m which takes the total Q1 investment to £302m.

Appendix A – IPOD Portfolio and Sub-portfolio breakdown

Performance Through Gates to Date	Sub Portfolio	Gate		Committed Min	Committed Forecast	Committed Max	Actual	Trend
Water	SR15 Completion	SOS	🟢	7	7	7	7	🟢 No Change 🟢
		G100	🔴	42	42	42	37	🔴 Declining 🔴
		G110	🔴	55	55	56	51	🔴 No Change 🔴
	Water Quality	SOS	🟢	47	50	53	50	🟢 No Change 🟢
		G100	🔴	75	76	79	70	🔴 Improving 🔴
		G110	🔴	72	77	82	71	🟡 Declining 🔴
	Water Supply	SOS	🟡	105	109	112	108	🟢 Declining 🟡
		G100	🟢	104	108	116	110	🟢 Improving 🟢
		G110	🟢	85	94	99	99	🟢 Declining 🟢
Wastewater	SR15 Completion	SOS	🟢	7	7	7	7	🟢 No Change 🟢
		G100	🟡	34	35	35	34	🟢 Declining 🟡
		G110	🔴	36	36	36	34	🔴 Improving 🔴
	Wastewater Network	SOS	🟢	45	49	54	52	🟢 No Change 🟢
		G100	🟢	59	64	70	70	🟢 Improving 🟢
		G110	🟡	48	50	54	61	🟡 Improving 🟡
	Wastewater Treatment	SOS	🟡	60	62	64	61	🟡 Improving 🟡
		G100	🟡	80	85	91	82	🟡 Declining 🟡
		G110	🟡	68	73	79	80	🟡 Improving 🟡
CE&FS&SS	Digital	SOS	🟢	21	22	22	22	🟢 No Change 🟢
		G100	🟢	21	21	22	22	🟡 Improving 🟢
		G110	🟡	20	22	22	21	🟢 Declining 🟡
	Flourishing Scotland	SOS	🟡	10	13	14	12	🟢 Declining 🟡
		G100	🟡	3	5	7	8	🟡 Declining 🟡
		G110	🟢	0	1	3	3	🟡 No Change 🟢
	Other Services	SOS	🟢	20	21	21	21	🟢 No Change 🟢
		G100	🟡	12	16	18	13	🟢 Declining 🟡
		G110	🟡	10	12	12	13	🟢 Declining 🟡
	Property and Estates	SOS	🟢	0	0	0	0	🟢 No Change 🟢
		G100	🟢	1	1	1	1	🟢 No Change 🟢
		G110	🟢	1	1	1	1	🟢 No Change 🟢
Total			🟢	1,148	1,214	1,279	1,221	🟢 Declining 🟢

	Within range and above Committed Forecast		Within range but below Committed Forecast		Below range (Committed Min)		Above range (Committed Max)
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In **Water Quality**, the G100 and G110 are outside their respective ranges having been impacted by historical access issues that delayed the Start on Site. However, both are forecast to recover to within range in Q3.

In **Water Supply**, the Start on Site remains impacted by RCI Sunnyside Cott to Megray SR TM DMA_Phase 1, which is on hold pending further work on the Phase 2 project. The G110 has 'Declined' month on month but is now at the very top end of the range; this is a symptom of the baseline 'catching up' with Gates that were delivered early in previous quarters.

In **Wastewater Treatment**, the G100 has declined but remains comfortably within the target range. While a number of G100s are forecast to be delivered later than planned in Q2, Q3 and Q4, the year-end forecast ultimately matches the central target.

In **Digital**, where the G110 is 1 behind the central target (but still in-range), Citrix Refresh has been delayed by scope change due to legacy applications. Backup – Restore and Archive is progressing but has experienced challenges with planning.

In **Flourishing Scotland**, Bridge Solar Car Park is due to commence on-site in August – three months later than planned. The G100, while ‘Declining’, is actually 1 ahead of the upper range due to early delivery in previous quarters.

In **Other Services**, the G100 has declined but remains within the target range. The G110 has also declined but remains above the upper end of the target range.

Appendix B – Glossary of Terms

IPOD – Indicator of Progress of Overall Delivery

SOS. – Start on Site

G100 – Project Acceptance

G110 – Financial Close

Appendix C – Current SR27 Delivery Commitments (G100)

The following G100 (Acceptance) milestones are currently forecast in SR27. When an Acceptance date is forecast to be within 3 months of the baseline it is considered to be ‘on track’.

DESCRIPTION	PORTFOLIO	SUB PORTFOLIO	BASELINE MONTH	FORECAST MONTH	STATUS
SR15 TE CM Staney Hill North - Q Sandy Loch WTW	Water	SR15 Completion	2022_23_P11	2027_28_P05	Behind
Alloa STW	Wastewater	Wastewater Treatment	2023_24_P03	2027_28_P05	Behind
Shieldhall WwTW - MCC Replacement - Phases 2 and 3	Wastewater	Wastewater Treatment	2027_28_P08	2027_28_P05	On track
RCI Newfield PS to Broadmuir TM DMA Peterhead Newfield 12 TM	Water	Water Supply	2027_28_P02	2027_28_P03	On track
Hydro Nation Chair	CE&FS	Flourishing Scotland	2027_28_P06	2027_28_P03	On track
SR21 Eela Water WTW	Water	Water Supply	2027_28_P11	2027_28_P08	On track
Laighpark Paisley WWTW - PSTs and FSTs major overhaul	Wastewater	Wastewater Treatment	2027_28_P12	2027_28_P09	On track
Kettleton CWT	Water	Water Quality	2028_29_P04	2028_29_P05	On track
SR21 ES Glenfarg WTW upgrade	Water	Water Quality	2029_30_P03	2028_29_P12	On track
I PPD Deploy H2 - Reservoir Safety Improvements	Support Services	Other Services	2027_28_P05	2027_28_P02	On track