Water Industry Investment Group (WI IG)
Progress of Interventions to Meet the Needs on the Development List
Quarter 1 2025/26

Contents

1. Purpose

This report sets out how Scottish Water is progressing in developing interventions to address the needs on the 'Development List' up to the end of June 2026 (Q1 2025/26). It has been prepared for the Water Industry Investment Group (WI IG) set up by Ministers to provide reassurance and report on the delivery of their Objectives.

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

Where interventions are forecast to exceed £3m or are novel or contentious, a Level 1 or 2 project investment appraisal is developed to assess the options to deliver the need.

Each quarter Scottish Water reports to WI IG on its progress in developing interventions to address the needs on the Development List. This report includes:

Section 2 – Summary of Current Investment*:* providing an overview of the current investment forecast over the 6-year investment period.

Section 3 - Indicator of overall Progress towards the Committed List (PCL): to provide reassurance to sector stakeholders on the overall volume of intervention development relative to what is required to meet expected investment levels in future years.

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 other projects and programmes of interest to stakeholders) and a view of current expectations of when they will reach future appraisal stages.

2. Summary of Current Investment Maturity

The current outturn forecast of investment over the 6-year investment period is provided below (Figure 1). This shows the maturity of investment across the period and how it has developed since the previous quarter (Q4 2024/25 versus Q1 2025/26). Appendix A contains the inflation assumptions used to support the information in Figure 1.

Live Investment is categorised by Plan (Gate 30-60), Prepare (Gate 70/80) and Deliver (Gate 80 -120). The "Deliver" category includes both projects which have been committed for delivery (post Gate 90) and those at detailed design stage but not yet committed.

The level of investment in Delivery for 2025/26 has increased from £769m to £883m since previously reported in Q4 (blue bars), as projects progress through the Plan and Prepare phases. The total investment in Delivery, in SR21 and SR27, is now over £5.1bn.

Scottish Water Portfolio Management team have undertaken a review of SR27 Investment profiles and shared these as part of the Draft SR27 Business Plan. This graph does not reflect these profiles. The peaks shows (most notably West Central Bioresource), and in 2028/29 Q1 (Figure 2) will be smoothed out into adjacent years once the graph is updated.

The combination of the Live and Non-Live Investment can exceed the Planned Investment Level shown on the figures as interventions can be initiated but will not necessarily be committed. A tabular view of the data represented in the figure is available in Appendix B.

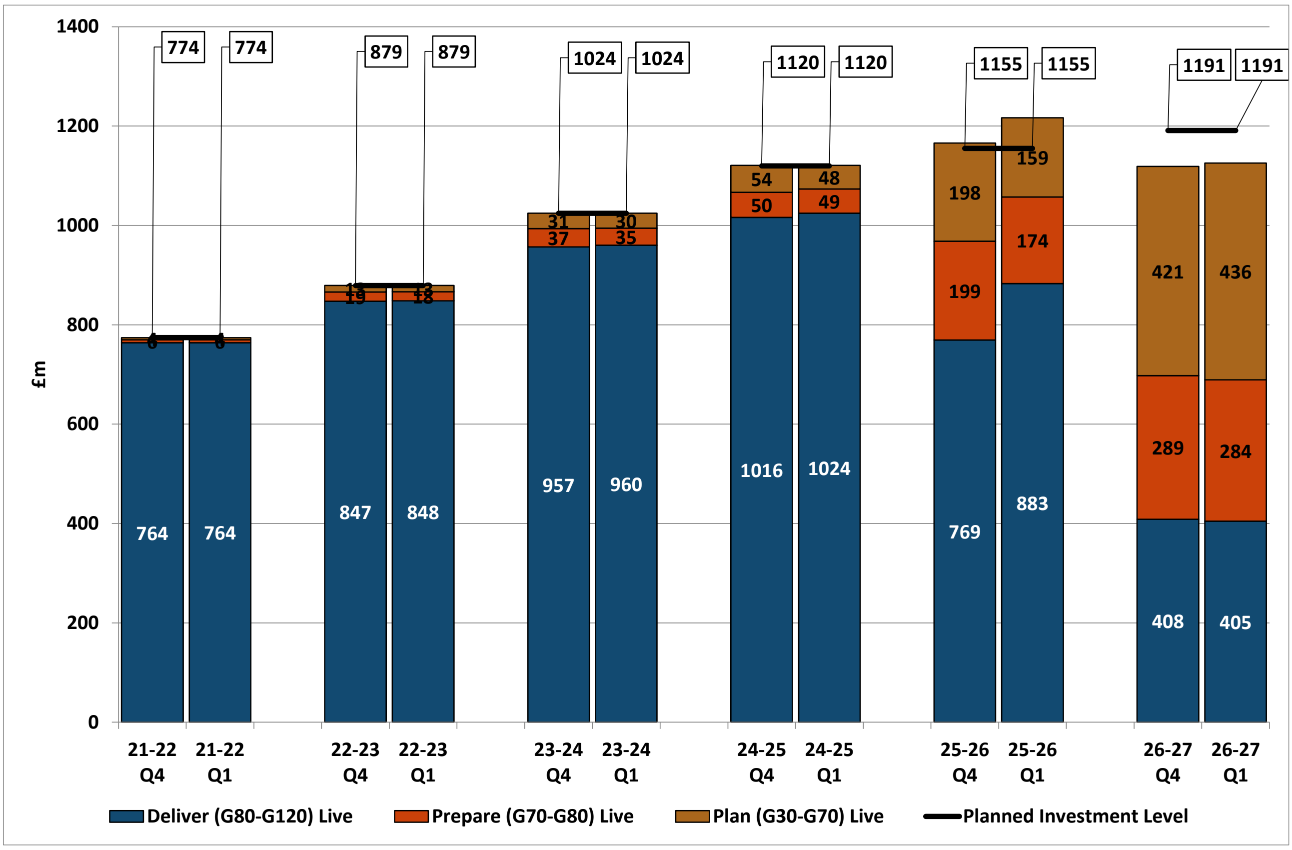

Figure 1: Annual Investment Profile (SR21) – maturity of investment at the end of Quarter 4 2024/25 (previous) and at the end of Quarter 1 2025/26 (current). Note: the figures on the top of the stacks are the Planned Investment Level for each year

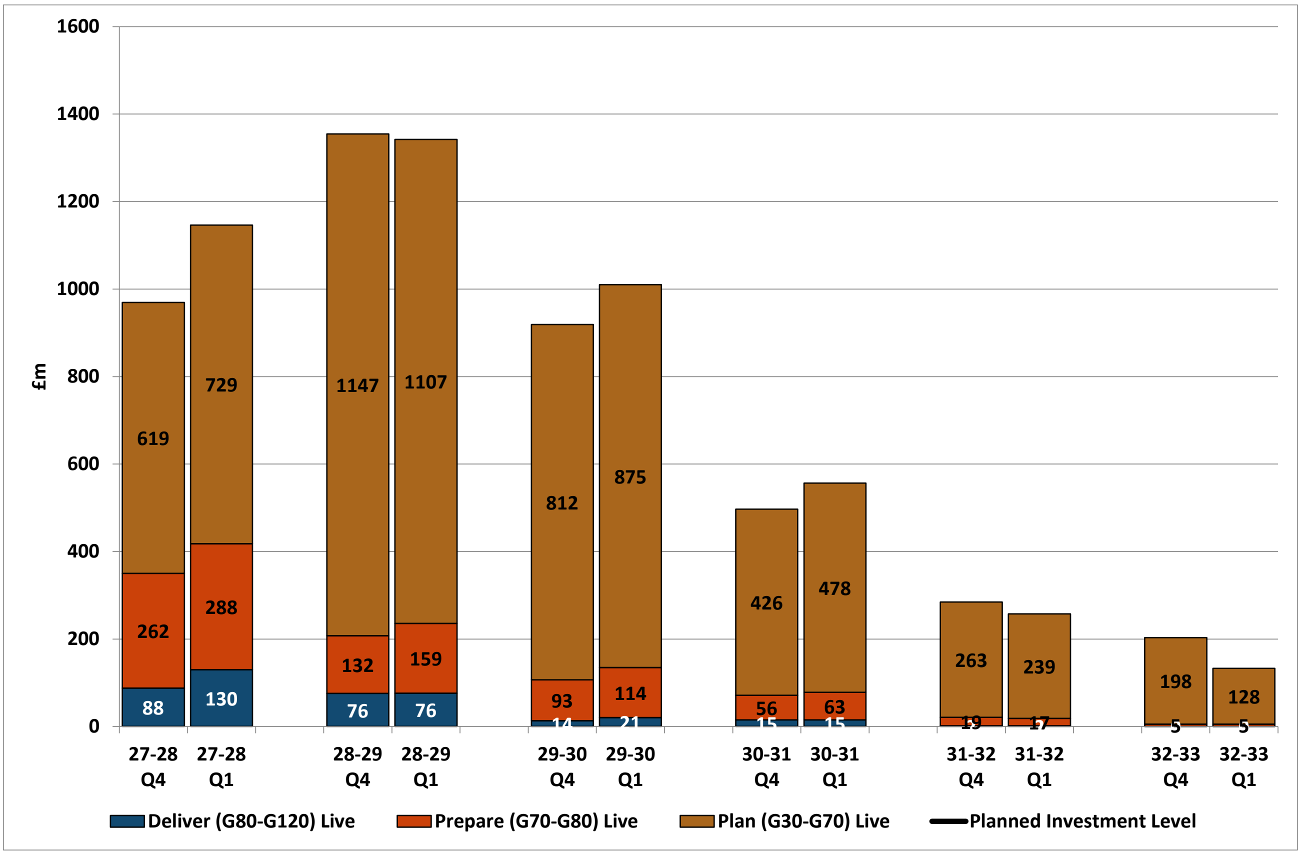

Figure 2: Annual Investment Profile (SR27) – maturity of investment at the end of Quarter 4 2024/25 (previous) and at the end of Quarter 1 2025/26 (current)

3. Indicator of overall progress towards the Committed List

The indicator of Progress towards the Committed List (PCL) is a high-level measure tracking the flow of investment in order to sustain a planned level of workload in future years. This measure assesses whether we are promoting sufficient volumes through the stages in each of its development pathways.

PCL was created using a top-down approach by splitting the investment profile between each development pathway. PCL tracks the impact of project forecasts on future investment levels. An explanation of how PCL is calculated can be found in appendix C.

Changes may occur due to ‘positive’ or ‘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.

Scoring explanation:

- A score of 100% is required to achieve the required investment profile in future years.
- 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 to achieve planned investment levels and will allow prioritisation/choice in what to commit to delivery.

A further explanation of PCL scoring is included in Appendix C.

At the end of Q1 2025/26, PCL was 105.6%. This indicates that we are developing sufficient volumes of investment across the programme to achieve planned investment in future years.

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

The purpose of this section is to provide:

- An overview of the progress of interventions in Q1 2025_26 that are subject to Level 1 and 2 appraisals[1].
- Highlights from Level 1 or 2 project investment appraisals completed in Q1.
- The full list of interventions with Level 1 and 2 appraisals, with an indication of the anticipated timing, is shown in Appendix D, which is an additional document to this paper.

Q1 Quarterly review of progress of appraisals:

- 3 project investment appraisal stages were completed within the quarter.
- 2 projects progressed through first time at Scottish Water Investment Approval Group /Investment Group. These projects had a mid-range value of £512.41m. Of which 1 was committed for SR21 delivery at a mid-range value of £14.54m (Plean to Cowie WWTW Pipeline Project).

  Note: The other was approved to progress to the next gateway at a current estimate of £18.8m for SR21 and £479.07m for SR27 (West Central Bioresource)

- 3 project investment appraisal documents have been shared with all sector stakeholders during Q1.

Rolling progress for the previous quarters is summarised in Table 1 below:

Table 1: BAU PIA Metrics

	Q2 (2024/25)	Q3 (2024/25)	Q4 (2024/25)	Q1 (2025/26)
Decisions taken to IAG/IG with L1 & L2 PIA	8	3	7	3
First time approval rate	7/8 (88%)	3/3 (100%)	7/7 (100%)	2/3 (67%)
Mid-Range Value of work progressing	£165.63m	£61.76m	£287.0m	£512.41m

[1] 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. This information reports PIAs in line with the Investment Group LARS approval requirements.

Highlights from project investment appraisals completed within Q1 are included in Table 2 below:

Table 2: Project Investment Appraisal Highlights

Project	5206850000 Plean to Cowie WWTW Pipeline Project
Stage	Stage 4 (Gate 80/90) – Project Appraisal for Commitment
Date	26 MAY 2025
Summary	**Purpose:** The Plean to Cowie Pipeline project aims to address the significant growth demand of approximately 3962 housing units within the existing Plean WWTW catchment. The current infrastructure cannot accommodate these flows due to environmental constraints, and SEPA has confirmed that no future variation of the CAR licence will be accepted. Without this project, Plean WWTW will be non-compliant with its CAR discharge licence, risking prosecution for Scottish Water. **Background:** Significant housing development in Plean is already under construction, making the need for this project imminent. The project was confirmed to proceed to Gate 80/90 as it remained the only available option, with the forecasted growth likely to breach capacity at Plean WWTW by late 2025. **Preferred Option:** The preferred option, identified as Option 3, involves transferring flows from Plean and Torwood to the New Bandeath WWTW via Cowie WWTW. This option was confirmed as feasible with minimal modifications to the design and is estimated to save approximately £5m compared to upgrading the Torwood WWTW. **Key Risks and Challenges:** • Ground conditions outside those found during ground investigation. • Encountering uncharted utilities on the gravity sewer route. • Potential delays if third party assets from SGN or Ineos strategic pipelines are not in the expected condition. • Increased site compound lease costs due to unforeseen delays. • Access restrictions due to unforeseen operational requirements at Plean WWTW. **Expected Benefits and Outcomes:** The project will facilitate first-time connections and accommodate growth beyond the current capacity of Plean WWTW. It aligns with the wider East Stirling Villages strategy and ensures compliance with environmental regulations

	Recommendation: Seek approval for Gate 80/90 to add the Plean to Cowie growth project to the Committed List with a current estimated capital cost of £14.54m. **Decision:** The IG approved the recommendation, and the project is proceeding to Stage 4 (G90), for commitment and delivery. Note: Financial Assessment: • SR21 (2021-27): The total expenditure is £14.54m. • SR27 (2027-33): No explicit costs are anticipated for SR27.

Project	5327310000 West Central Bioresource
Stage	Stage 3a (G50) - Outline Investment Appraisal
Date	18 JUN 2025
Summary	**Purpose:** The West Central Bioresource project is a critical initiative which aims to transition Scottish Water to a more resilient and sustainable bioresource management system, addressing service, capacity, and outlet risks while improving resilience and reducing carbon footprint and accommodating forecasted growth. **Background:** The project is part of Scottish Water's Bioresource Strategy, the project covers the West Central region, including Greater Glasgow, Ayrshire, Fife, and Tayside, which collectively handle over 60% of Scottish Water's bioresource. **Preferred Option to Progress:** The preferred option is Option 4a, which involves building an Advanced Anaerobic Digestion (AAD) plant at Daldowie with a capacity of 85,000 tDS per year. This option was chosen for its lower cost, reduced carbon emissions, and energy generation benefits. It was highlighted that while approval was given for the new facility's development, funding for the project has not yet been finalised. Options 0a and 0b will also be developed to Gate 70, allowing assessment of risks compared with deferring the development of AAD at Daldowie. Options 0a and 0b would extend the current and interim bioresource treatment approaches beyond 2031, whereas option 4a would replace these with the AAD facility from 2031. A detailed timeline will be created, factoring in both procurement/build urgency and the implications of delaying delivery of the new facility. Funding decisions are to be addressed separately at a future time. **Key Risks and Challenges:** • Daldowie STC assets have only five years of residual life. • Existing technology is energy-intensive and costly. • Current facilities cannot handle growth.

	• Evolving regulations may require higher treatment standards. **Expected Benefits and Outcomes:** The project aims to improve resilience and reduce operational risks, ensure the sustainable recycling of all biosolids, maximise resource recovery and renewable energy generation, reduce energy usage, carbon footprint, and operating costs, and provide the capacity to handle forecasted growth. **Recommendation:** Seek IG approval to proceed with Option 4a, building an AAD plant at Daldowie with £18.8m live investment in SR21, and £479.07m expected for SR27. **Decision:** The IG approved the recommendation to proceed to the next stage gateway for further development and noted that the funding decisions would be addressed separately in due course. Note: Financial Assessment: • SR21 (2021-27): The total expenditure is £18.8m. This is the amount allocated in the current IPS. • SR27 (2027-33): The total expenditure is £479.07m.

Appendix D - Full list of interventions with Level 1 and 2 appraisals

See separate excel file.

5. Summary

The WI IG members are asked to:

- Note the maturity of the current Investment Forecast.
- Note that the Q4 Progress to Committed List (PCL) score was 105.6%, indicating that the rate of overall progress is more than sufficient to achieve planned investment levels.
- Note the progress on Project Investment Appraisals.

Appendices

Appendix A – Inflation Assumption

The revised inflation assumption used are shown in Table 1. We recognise that some costs within our capital programme are increasing at a greater rate than the current CPI projection. We continue to assess and monitor this Capital Price Inflation value to allow us to better understand potential cost increases across the programme.

Table A: CPI Assumption (%)

Inflation Assumption	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Current Inflation Assumption	4.0%	10.1%	5.7%	2.4%	3.2%	2.2%

Appendix B - Tabular information for Figure 1: 12 Year Investment Profile

PPD stage comparing investment forecast at the end of Q4 2024/25 (previous) and at the end of Q1 2025/26 (current) investment.

6 Year Investment £m – 2021/22	Previous Q4	Current Q1	Variance
Deliver Live	763.8	764.0	0.2
Prepare Live	5.8	5.8	0.0
Plan Live	4.5	4.3	-0.2
Total	**774.1**	**774.1**	**0.0**
Planned Investment Level	774.1	774.1	0.0

6 Year Investment £m – 2022/23	Previous Q4	Current Q1	Variance
Deliver Live	847.3	848.3	1.0
Prepare Live	18.8	18.1	-0.7
Plan Live	13.0	12.7	-0.3
Total	**879.1**	**879.1**	**0.0**
Planned Investment Level	879.1	879.1	0.0

6 Year Investment £m – 2023/24	Previous Q4	Current Q1	Variance
Deliver Live	957.0	960.0	3.1
Prepare Live	36.8	34.7	-2.1
Plan Live	30.8	29.9	-0.9
Total	**1024.6**	**1024.6**	**0.0**
Planned Investment Level	1024.4	1024.4	0.0

6 Year Investment £m – 2024/25	Previous Q4	Current Q1	Variance
Deliver Live	1016.2	1024.4	8.2
Prepare Live	50.4	49.0	-1.4
Plan Live	54.4	47.6	-6.8
Total	**1121.0**	**1121.0**	**0.0**
Planned Investment Level	1120.0	1120.0	0.0

6 Year Investment £m – 2025/26	Previous Q4	Current Q1	Variance
Deliver Live	769.4	883.0	113.6
Prepare Live	198.6	174.1	-24.5
Plan Live	197.7	159.5	-38.2
Total	**1165.7**	**1216.6**	**50.9**
Planned Investment Level	1155.0	1155.0	0.0

6 Year Investment £m – 2026/27	Previous Q4	Current Q1	Variance
Deliver Live	408.5	404.7	-3.8
Prepare Live	289.1	284.5	-4.6
Plan Live	420.9	436.3	15.3
Total	**1118.5**	**1125.4**	**6.9**
Planned Investment Level	1191.0	1191.0	0.0

6 Year Investment £m – 2027/28	Previous Q4	Current Q1	Variance
Deliver Live	87.9	130.1	42.2

Prepare Live	262.3	287.7	25.4
Plan Live	619.2	728.7	109.5
Total	**969.3**	**1146.5**	**177.2**
Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m – 2028/29	**Previous Q4**	**Current Q1**	**Variance**
Deliver Live	75.6	76.4	0.8
Prepare Live	131.8	159.2	27.5
Plan Live	1147.3	1106.5	-40.8
Total	**1354.7**	**1342.1**	**-12.6**
Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m – 2029/30	**Previous Q4**	**Current Q1**	**Variance**
Deliver Live	13.5	20.7	7.2
Prepare Live	93.4	114.4	21.0
Plan Live	811.9	875.0	63.1
Total	**918.9**	**1010.1**	**91.2**
Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m – 2030/31	**Previous Q4**	**Current Q1**	**Variance**
Deliver Live	15.1	15.3	0.3
Prepare Live	56.4	63.1	6.7
Plan Live	425.6	478.1	52.5
Total	**497.1**	**556.6**	**59.5**

Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m – 2031/32	Previous Q4	Current Q1	Variance
Deliver Live	1.7	1.8	0.1
Prepare Live	19.4	16.6	-2.8
Plan Live	263.3	239.4	-24.0
Total	**284.5**	**257.8**	**-26.7**
Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m – 2032/33	Previous Q4	Current Q1	Variance
Deliver Live	0.3	0.3	0.0
Prepare Live	5.3	5.3	0.0
Plan Live	197.7	127.6	-70.1
Total	**203.2**	**133.1**	**-70.1**
Planned Investment Level	0.0	0.0	0.0

Appendix C – PCL Scoring

Each month the average promotion rate through the gates – Project Initiation, Option Appraisal, Option Confirmation, Project Promotion, Project Approval and Delivery Approval – is compared against the average baseline promotion rate for each gate. This is summarised giving a total actual flow rate vs a total baseline flow rate and this generates a % and the score.

Each project contributes PCL points, per gate, as follows:

Its LBE (Latest Best Estimate) divided by the total number of gates passed on its progression from Project Initiation to Delivery Approval

For example, a larger PPD (Plan Prepare Deliver) project with an LBE of £6m, and that passes through all six governance gates from Initiation to Delivery Approval, inclusive, will contribute £1m (£6m / 6 gates) to the PCL score each time a gate is passed.

Small Value projects, meanwhile, typically have a shorter path to delivery i.e. Initiation and Delivery Approval inclusive, and as such contribute their LBEs divided by 2 each time those gates are achieved.

Appendix D - Full list of interventions with Level 1 and 2 appraisals – separate excel file