

**Water Industry Investment Group (WI IG)**  
**Progress of Interventions to Meet the Needs on the Development List**  
**Quarter 2 2025-26**

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## 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 September 2025 (Q2 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 (Q1 2025-26 versus Q2 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 £883m to £1,057m since previously reported in Q1 (blue bars), as projects progress through the Plan and Prepare phases. The total investment in Delivery, in SR21 and SR27, is now over £5.4bn.

Scottish Water Portfolio Management team have undertaken a review of SR27 Investment profiles and shared these as part of the Draft SR27 Business Plan. Further work is currently underway to prepare the profiles for the Final SR27 Final Business Plan. This graph does not reflect these profiles. The peaks shows (most notably West Central Bioresource), and in 2028-29 Q2 (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.

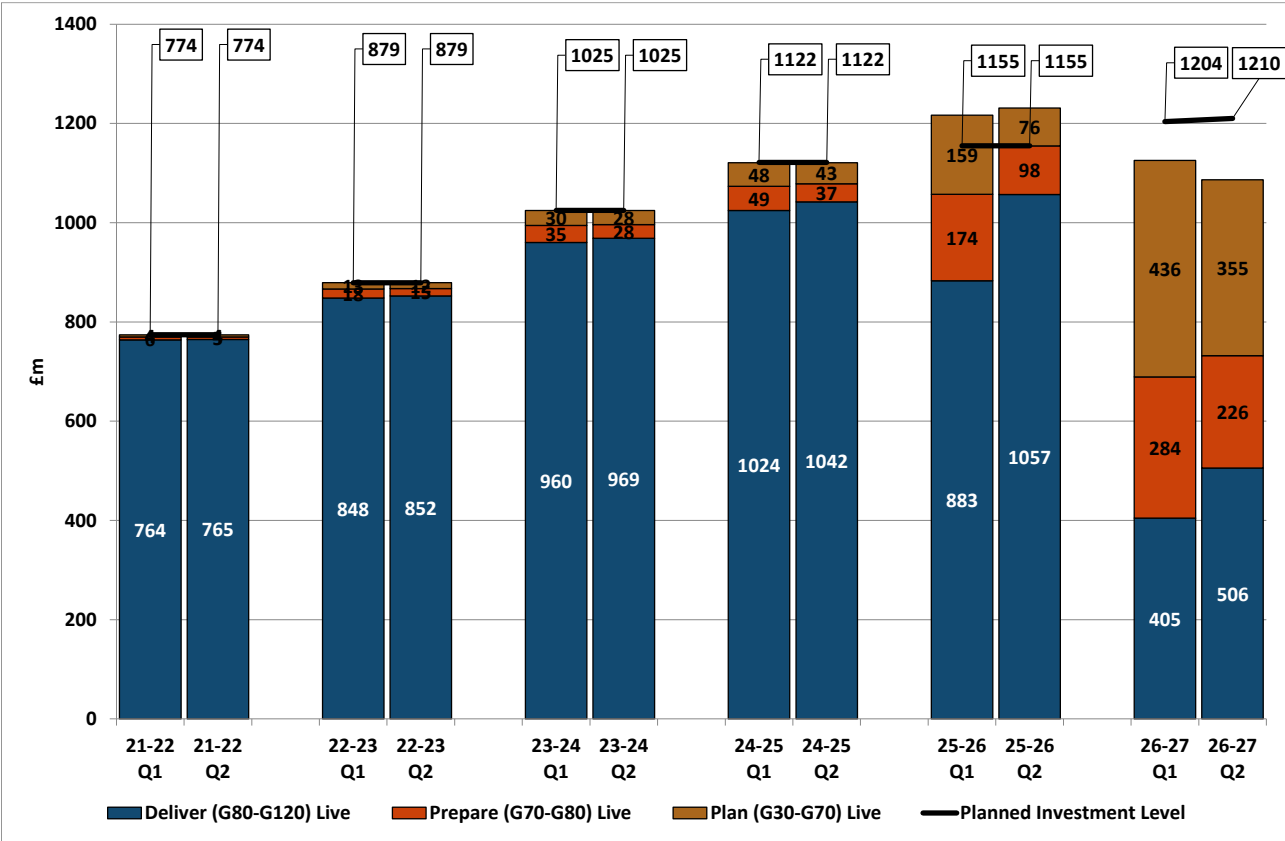


Figure 1: Annual Investment Profile (SR21) – maturity of investment at the end of Quarter 1 2025-26 (previous) and at the end of Quarter 2 2025-26 (current). Note: the figures on the top of the stacks are the Planned Investment Level for each year

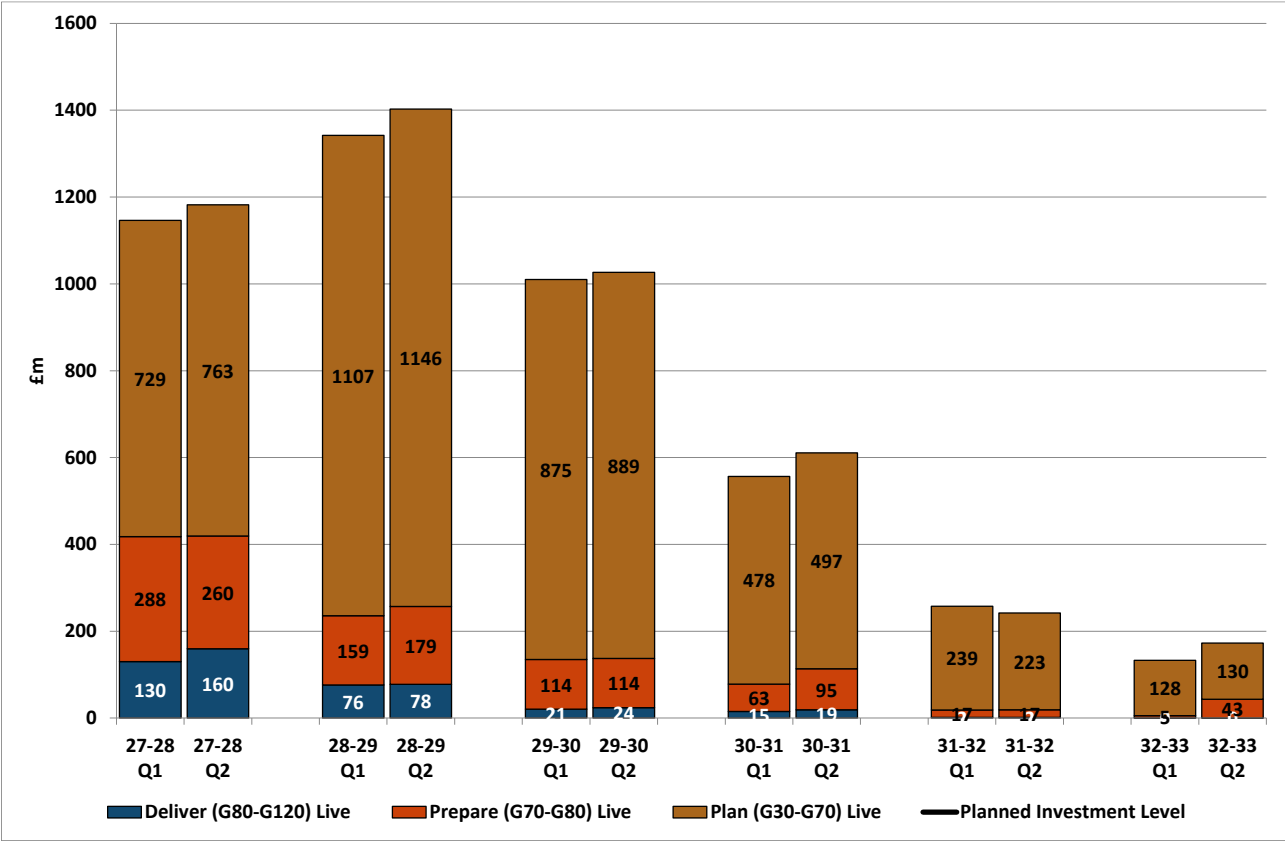


Figure 2: Annual Investment Profile (SR27) – maturity of investment at the end of Quarter 1 2025-26 (previous) and at the end of Quarter 2 2025-26 (current)

### 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 Q2 2025-26, PCL was 106.4%. 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 Q2 2025\_26 that are subject to Level 1 and 2 appraisals<sup>1</sup>.
- Highlights from Level 1 or 2 project investment appraisals completed in Q2.
- 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.

Q2 review of progress of appraisals:

- 3 project investment appraisal stages were progressed with 2 being completed in the quarter.
- 0 out of 3 projects progressed through the Investment Group (IG) for first time approval. Further information was requested to support review and decision-making.
- 2 project investment appraisals were subsequently approved for commitment and delivery at a total mid-range value of £130.91m:
  - Black Esk WTW – mid-range value of £96.3m SR21, and £24m SR27
  - IFOS Laidlands Road – mid-range value of £10.61m SR21, and no expenditure in SR27.
  - Note: Dunbar WwTW (Growth) is expected to be reported in Q3.
- 3 project investment appraisal documents have been shared with all sector stakeholders during Q2.

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

**Table 1: BAU PIA Metrics**

	Q3 (2024-25)	Q4 (2024-25)	Q1 (2025-26)	Q2 (2025-26)
Decisions taken to IAG/IG with L1 & L2 PIA	3	7	3	3
First time approval rate	3/3 (100%)	7/7 (100%)	2/3 (67%)	0/3 (0%)
Mid-Range Value of work progressing	£61.76m	£287.0m	£512.41m	£130.91m

<sup>1</sup> 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 Q2 are included in Table 2 below:

**Table 2: Project Investment Appraisal Highlights**

<b>Project</b>	5045490000 SR21 Black Esk WTW
<b>Stage</b>	Stage 4 (G80/90) - Project Appraisal for Commitment
<b>Date</b>	Original IG Submission: 30 JUN 2025 Final IG Approval: 28 JUL 2025
<b>Summary</b>	<b>Purpose:</b> The Black Esk WTW project aims to resolve persistent water quality issues by delivering a new treatment solution that improves compliance, reduces discolouration related customer contacts, and ensures a reliable supply of high-quality drinking water.

**Background:** Built in 1987 and supplies water to around 40,000 customers in Lockerbie, Annan, Dumfries, and surrounding areas. The region has experienced repeated issues with water quality, including regulatory exceedances for microbiology and disinfection by-products, and a high number of customer complaints about discolouration. These issues have been recognised as high priority by the Drinking Water Quality Regulator (DWQR), with formal commitments in place to address them.

**Preferred Option:** Refined Option 4.2A, to construct a new WTW with a modular ion exchange and modular ceramic microfiltration membrane, along with purpose-built dual cell chlorine contact tanks. To be constructed offline and then connected to the existing infrastructure, reducing operational and construction risks. Offering lowest risk to water quality, improved compliance with regulatory standards, and enhanced operational resilience.

**Key Risks and Challenges:**

- Ground conditions may affect costs and timing
- Managing commissioning wastewater is complex
- Interfaces with live assets
- Planning and local engagement require ongoing attention
- Delivery could be impacted by weather, other projects, or supply chain issues

**Expected Benefits and Outcomes:**

- Meets regulatory standards for water quality and disinfection by-products
- Provides high-quality, reliable water and reduces discolouration contacts
- Modular design and advanced technology improve efficiency and lower carbon impact
- Allows for future upgrades and supports long-term water supply needs

**Recommendation:** Seek Investment Group (IG) approval to proceed with Option 4.2A, new WTW with ion-exchange ceramic microfiltration membrane for commitment and delivery. The investment clarified with an LBE of £120.3m (comprising £96.3m in SR21 and a forecast spend of £24m in SR27).

**Decision:** The project was initially not approved, pending clarification on depreciation, cost build-up, and commercial review. A clarification note and Gate 70–90 net construction pricing comparison were later presented to IG, which received approval on 28 JUL 2025 to progress to Stage 4 (Gate 80/90) for commitment and delivery. As the project's LBE exceeded £20m, it was approved by the Scottish Water Board 27 AUG 2025.

Note: Financial Assessment:

- SR21 (2021-27): Total expenditure £96.3m
- SR27 (2027-33): Total expenditure £24m

At the time of approval the final WSP Engineering Review for WICS, which included Black Esk, had not been received so this was not considered at this stage. Teams were consulted on the draft report and have also received the Final version for consideration

<b>Project</b>	5461550000 IFOS Laighlands Road, Bothwell
<b>Stage</b>	Stage 4 (Gate 80/90) – Project Appraisal for Commitment
<b>Date</b>	Original IG Submission: 28 JUL 2025 Final IG Approval: 25 AUG 2025
<b>Summary</b>	<p><b>Purpose:</b> The Laighlands Road, Bothwell Internal Sewer Flooding Project aims to stop ongoing sewer flooding that has repeatedly affected homes and roads in the Laighlands Road area. The existing sewer system cannot cope with heavy rainfall, leading to frequent flooding and distress for residents. Without intervention, properties will remain at high risk of flooding, and Scottish Water will continue to face reputational, financial, and regulatory challenges, alongside ongoing disruption and dissatisfaction for the local community. This project will deliver 11 flooding outputs (7 internal, 2 external and 2 others).</p> <p><b>Background:</b> This project forms part of a wider strategy to reduce flood risk in the Bothwell catchment, where the main sewer lacks capacity and has caused repeated flooding at several locations. The affected area ranks among the highest risk clusters in Scottish Water's Internal Sewer Flooding At-Risk Register. Previous efforts included completing a related project at Bellshill Road and purchasing a severely affected property on Laighlands Road as a temporary measure. All necessary planning, land, and stakeholder agreements are in place.</p>

**Preferred Option:** Solution 1 is preferred and involves upgrading the sewer infrastructure at Laighlands Road, including new pipework, stormwater storage, and a screened overflow to the River Clyde. This is the only viable long-term solution identified to address the flooding and protect local properties.

**Key Risks and Challenges:**

- Construction in flood zone may delay progress
- Disruption to private gardens and residents during works
- Maintaining planning permission and securing land access
- Potential cost increases if the project is delayed

**Expected Benefits and Outcomes:**

- Removal of homes from the flood risk register and reduction of flooding incidents
- Lower ongoing maintenance and emergency response costs for Scottish Water
- Enhanced reputation for Scottish Water in delivering solutions for affected communities

**Recommendation:** Seek IG approval to proceed with Solution 1 for commitment and immediate delivery, ensuring implementation within the current investment period (SR21) with a LBE of £10.61m.

**Decision:** The project was approved in principle, subject to documenting wider benefits, risks, and sunk costs. A revised paper was recirculated to IG quorum members and received offline approval on 25 AUG 2025 to proceed to Stage 4 (G80/90) for commitment and delivery.

Note: Financial Assessment:

- SR21 (2021-27): Total expenditure £10.61m
- SR27 (2027-33): No expenditure anticipated

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

See separate excel file.

*Note: This quarter's Appendix D submission has been streamlined to enhance clarity and usefulness.*

## 5. Summary

The WI IG members are asked to:

- Note the maturity of the current Investment Forecast.



- Note that the Q2 Progress to Committed List (PCL) score was 106.4%, 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
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Plan Prepare Deliver (PPD) stage comparing investment forecast at the end of Q1 2025-26 (previous) and at the end of Q2 2025-26 (current) investment.

6 Year Investment £m - 2021-22	Previous Q1	Current Q2	Variance
Deliver Live	764.0	764.7	0.7
Prepare Live	5.8	5.3	-0.5
Plan Live	4.3	4.1	-0.2
<b>Total</b>	<b>774.1</b>	<b>774.1</b>	<b>0.0</b>
Planned Investment Level	774.1	774.1	0.0

6 Year Investment £m - 2022-23	Previous Q1	Current Q2	Variance
Deliver Live	848.3	852.5	4.2
Prepare Live	18.1	14.8	-3.3
Plan Live	12.7	11.8	-0.9
<b>Total</b>	<b>879.1</b>	<b>879.1</b>	<b>0.0</b>
Planned Investment Level	879.1	879.1	0.0

6 Year Investment £m - 2023-24	Previous Q1	Current Q2	Variance
Deliver Live	960.0	968.7	8.7
Prepare Live	34.7	27.6	-7.1
Plan Live	29.9	28.3	-1.6
<b>Total</b>	<b>1024.6</b>	<b>1024.6</b>	<b>0.0</b>
Planned Investment Level	1024.6	1024.6	0.0

6 Year Investment £m - 2024-25	Previous Q1	Current Q2	Variance
Deliver Live	1024.4	1041.8	17.4
Prepare Live	49.0	36.5	-12.4
Plan Live	47.6	42.6	-5.0
<b>Total</b>	<b>1121.0</b>	<b>1121.0</b>	<b>-0.1</b>
Planned Investment Level	1121.6	1121.6	0.0

6 Year Investment £m - 2025-26	Previous Q1	Current Q2	Variance
Deliver Live	883.0	1057.0	174.0
Prepare Live	174.1	97.7	-76.4
Plan Live	159.5	76.4	-83.1
<b>Total</b>	<b>1216.6</b>	<b>1231.1</b>	<b>14.5</b>
Planned Investment Level	1155.0	1155.0	0.0

6 Year Investment £m - 2026-27	Previous Q1	Current Q2	Variance
Deliver Live	404.7	505.6	101.0
Prepare Live	284.5	226.2	-58.3
Plan Live	436.3	354.6	-81.7
<b>Total</b>	<b>1125.4</b>	<b>1086.4</b>	<b>-39.0</b>
Planned Investment Level	1203.9	1210.0	6.1

6 Year Investment £m - 2027-28	Previous Q1	Current Q2	Variance
Deliver Live	130.1	159.7	29.6
Prepare Live	287.7	259.6	-28.1

Plan Live	728.7	763.0	34.2
<b>Total</b>	<b>1146.5</b>	<b>1182.2</b>	<b>35.7</b>
Planned Investment Level	0.0	0.0	0.0

<b>6 Year Investment £m - 2028-29</b>	<b>Previous Q1</b>	<b>Current Q2</b>	<b>Variance</b>
Deliver Live	76.4	77.9	1.5
Prepare Live	159.2	179.2	20.0
Plan Live	1106.5	1145.7	39.2
<b>Total</b>	<b>1342.1</b>	<b>1402.8</b>	<b>60.7</b>
Planned Investment Level	0.0	0.0	0.0

<b>6 Year Investment £m - 2029-30</b>	<b>Previous Q1</b>	<b>Current Q2</b>	<b>Variance</b>
Deliver Live	20.7	23.8	3.1
Prepare Live	114.4	113.7	-0.7
Plan Live	875.0	889.1	14.1
<b>Total</b>	<b>1010.1</b>	<b>1026.6</b>	<b>16.5</b>
Planned Investment Level	0.0	0.0	0.0

<b>6 Year Investment £m - 2030-31</b>	<b>Previous Q1</b>	<b>Current Q2</b>	<b>Variance</b>
Deliver Live	15.3	19.1	3.8
Prepare Live	63.1	94.6	31.5
Plan Live	478.1	497.2	19.1
<b>Total</b>	<b>556.6</b>	<b>611.0</b>	<b>54.4</b>
Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m - 2031-32	Previous Q1	Current Q2	Variance
Deliver Live	1.8	1.8	0.0
Prepare Live	16.6	17.4	0.8
Plan Live	239.4	223.0	-16.3
<b>Total</b>	<b>257.8</b>	<b>242.2</b>	<b>-15.6</b>
Planned Investment Level	0.0	0.0	0.0

6 Year Investment £m - 2032-33	Previous Q1	Current Q2	Variance
Deliver Live	0.3	0.3	0.0
Prepare Live	5.3	43.0	37.7
Plan Live	127.6	129.6	2.1
<b>Total</b>	<b>133.1</b>	<b>172.9</b>	<b>39.8</b>
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