
**INVESTMENT PLANNING & PRIORITISATION GROUP (IPPG)
MINUTES OF 16th MEETING
Scottish Water, 21st June 2023, 10.00, Fairmilehead Office,
Edinburgh, EH10 6XH.**

Attendees:

Jon Rathjen, Scottish Government (Chair)	Barry Greig, Scottish Government
Rosemary Greenhill, Scottish Government	Mark Dickson, Scottish Water
Tracey Gee, Scottish Water	Alan P Scott, Scottish Water
Simon Parsons, Scottish Water	Barbara Barbarito, Scottish Water
Aileen MacKenzie, Scottish Water	Michelle Ashford, WICS
David Satti, WICS	Duncan Robertson, SEPA
Sue Petch, DWQR	Matt Bower, DWQR
Emma Ash, Consumer Scotland	Rob Mustard, Scottish Water

ITEM 1 Welcome and apologies for absence

1. There were apologies from Alan Sutherland, Robert Stewart, Nikki Maclean, Gail Walker, Sharon Forrester and David Harley.

ITEM 2 Minutes and actions arising from meeting of 15th March 2023 – SG

2. The previous minutes were agreed to be an accurate record subject to the following amendment:
 - David Satti highlighted that paragraph 7 on the previous minutes noted that Ministerial Objectives would only be changed during the period if Ministers requested an interim determination. However, it is only Scottish Water and WICS that can ask for an interim determination.
3. The action points were reviewed:
 - **Action 1** – SW to set up bi-lateral discussion with stakeholders on implications of capital allocation choices set out in the IPS23 baseline paper - **Complete**
 - **Action 2** – All to consider a comms strategy for investment reporting - **Carry forward**
 - **Action 3** – SG to prepare a paper for separate discussion with IPPG stakeholders on process for SR27 – **Carry forward**
 - **Action 4** - SG to submit Q4-22/23 needs list to Ministers – **carry forward**
 - **Action 5** – SW to arrange discussion with WICS on Asset Stewardship Model – **Carry forward.** meeting set for 19th July and extended to others.
 - **Action 6** – SW to consider how to provide the link between the Development List and transfers to the Committed List – SW have tried to make clearer in report, but more may be required – **Agenda item 5**
 - **Action 7**- SW to submit a paper for the IPPWG’s consideration on how to provide greater detail on Management Approaches/Outputs – SW will demonstrate the dashboard at the next Working Group – **Carry forward**

- **Action 8** – SG to submit IPPG report to Ministers and publish on website – **Complete**

Action 1 – All to consider a comms strategy for investment reporting.

Action 2 – SG to prepare a paper for separate discussion with IPPG stakeholders on process for SR27.

Action 3 - SG to submit Q4-22/23 needs list to Ministers.[post meeting note: now approved.]

Action 4 – SW to arrange discussion with WICS on Asset Stewardship Model.

Action 5 - SW to submit a paper for the IPPG WG's consideration on how to provide greater detail on Management Approaches/Outputs.

ITEM 3 IPPG Working Group Report – SG

4. Barry Greig presented the working group update report IPPG-16-23-01 IPPG WG Report to IPPG, which can be found on Objective Connect.

Questions on the Working Group Update Paper:

5. David Satti – Transformation plan – The report says that Transformation will break even in year 5 which suggests cash benefits rather than non-financial benefits. How does this link to the £100m of cash benefits which are currently attached to the investment plan and when will that be achieved? If it's not until after this period, how will that (£100m) gap / shortfall be closed? WICS need to fully understand the £4.4bn scenario to be assured that delivery risks are understood and understand the choices that are made
6. Rob Mustard responded that understanding is gained by evidencing initiatives and also in tracing benefits to the Investment Planning Scenario (IPS). The maturity of initiatives is around 50% and time has been spent evidencing this; an update on the findings will be presented at the next IPPG Working Group and SW will hold separate meetings with stakeholders to explore this in more detail. Tracing benefits to the IPS is being developed by Simon Parsons and Alan P Scott through the SR21 routemap. The routemap shows the £100m blocks of investment which can be added in or removed if more or less investment is available. Existing regulatory and commercial commitments are protected within this.
7. Rob noted there is a SW Board commitment to aim for payback at year 5. Over the last quarter there had been some drift so corrective action has been taken to review the portfolio to reduce cost of delivery and achieve benefits. This has been achieved by stripping out duplication of cost or where work is duplicated across MAs e.g. integrated catchment work. There is a need to hold this tension in programme which notionally ties in with end of period.

David Satti clarified that WICS are not making any judgment on whether that should or shouldn't happen but stressed the need for sufficient visibility to aid full understanding.

Action 6 – SW to set up meeting to walk through the Transformation portfolio and methodology with WICS, also offer to other IPPG colleagues to contact SW if they also wish to be involved.

ITEM 4 Q1 -23/24 Proposed Needs List – SW

8. Simon Parsons presented the update. There are no new additions this quarter but there are two future needs which SW are considering. Fedderate Reservoir is a new demand which was highlighted at IPPGWWG. This will be met within MA004 Reservoir Safety and is within its available IPS at this point. A further new demand which has emerged since IPPGWWG relates to emissions associated with sludge treatment processes previously subject to an exclusion under the Urban Wastewater Treatment Directive (UWWTD). Following a review, it has now been confirmed that upgrades are required on 9 treatment works at an estimated cost of £17-25m. Work is ongoing to understand what is covered by the existing need and MA. The estimated timescale for completion is 6-8 years so activity would straddle regulatory periods.

Action 7 – SW to confirm timescale for sludge treatment processes is agreed with SEPA.

9. Sue Petch asked whether there any potential new needs as a result of the current water-scarcity issues and subsequent overall concerns about resilience? Simon Parsons confirmed that following earlier changes to named needs SW need to consider whether current named needs are generic enough to provide cover or whether new needs are required. It was requested that SW reviews the needs and reports to IPPGWWG. This will likely include investment for current compliance v future demands / changes and help stakeholders understand the thinking around this.
10. Sue Petch raised concern that there is no review of asset replacement / categories as part of the review referred to, when does maintaining this element become unachievable? Simon confirmed SW are maintaining the current level currently, but the IPS is reviewed 6 monthly and so that will remain under review.

Action 8 – SW to review the existing Water Resilience needs and bring a detailed paper forward for IPPGWWG's consideration to provide an overview of what's covered relating to water resilience supplies.

ITEM 5 Report on the progress of interventions to meet the needs on the Development List - SW

11. Simon Parsons presented the update –

IPPG 16-23-02 Progress of interventions to meet needs on the development list Q4 22-23, which can be found on Objective Connect.

Questions on the Progress of interventions to meet needs on the development list Q4 22023 paper:

12. Sue Petch - With regards to forecasting of Project Investment Appraisals (PIA) it would be useful to have a range rather than an exact number would improve understanding of how momentum is being maintained or not.

Action 9 – SW to add a range to the PIA forecast.

13. David Satti – WICS are working in 2017-18 prices, however the paper uses outturn figures, with the inflation in appendix. He noted inflation remains stubbornly high with the potential even to increase. However, the report's inflation projections don't align with current forecasting. WICS request that the inflation projections are tested as this is a significant additional pressure on the investment forecast.
14. Alan P Scott noted SW review inflation on a 6-monthly basis as part of the IPS review and confirmed SW does consider Bank of England (BoE) current forecasts; the August BoE update is what will feed into the IPS
15. The IPPG Q4 2022-23 report was agreed. The Chair requested the report be submitted to Ministers.

Action 10 - SG to submit IPPG report to Ministers and publish on website.

ITEM 6 - Transfers to the Committed List

16. Simon Parsons presented the paper IPPG 16-23-03 Transfers to the Committed List Q4 22-23, which can be found on Objective Connect, noting overall good progress.

Questions on the Transfers to the Committed List paper:

17. Michelle Ashford – There is a reference to DV1- Embedment and Sustainability Programme (1.2m) and System Planning Year 3 OKR Delivery (£0.75m) on page 5 and asked for clarification on what this covered.
18. Sue Petch – in respect of the line for Digital Securing Operation Asset, Sue asked whether this is the cost for the 4 pilot sites only or if it includes the further roll out to other sites; some concern that the costs would be quite high if rolled out at similar cost to the pilots.
19. Simon Parsons / Rob Mustard– confirmed costs are in relation to the 4 pilot sites and associated activities associated. SW will be looking for efficiencies when rolled out further, agreeing that the cost for four initial sites is high. Work is progressing well and SW now looking at scaling up; work with the water risk management group will help reach agreement on how to prioritise. The security element is going well, and SW hope is that once these initial pilots test the

approach it will help gain efficiencies. A business case will need to be presented prior to further roll out.

20. Sue asked whether the line for SIP Yr 3 OKR is for one year and is it a resource case? Do the costs include people, consultant support etc and other activities?
21. Jon Rathjen – asked how does SW benchmark digital costs?
David Satti stated that is also of interest to WICS, particularly in light of additional demands.
22. Rob Mustard responded, noting this is one of the challenges of running digital projects. Digital follows the same processes as other areas but SW do go to other companies such as Gartner to do benchmark reviews where there are similarities with others. If there is a wider roll out following the 4 pilot sites SW would be looking for that assurance. Keeping any technology updated and in support going forward is also key within this area.
23. Michelle Ashford – noted that in Appendix A there are no units or explanation of how carbon intensity is measured, and no clear sequencing to the columns in this table.
24. Sue Petch – asked why there is 0 against some projects? In response, SW agreed to review the table and take the following action-
 - measurement of carbon intensity to be added
 - ensure a clear sequence to the projects.
 - Clarify why some projects have 0

Action 11 – SW to review Appendix A.

25. David Satti – noted that in figure 2 (Committed list additions by MA) there is £500m of overheads which won't be an MA and sought clarification on whether the overheads are included in the costings of programmes.
26. Mark Dickson clarified that this may be explained by the fact that Direct overheads are always charged to the MA but indirect aren't which may.

Action 12 – SW to review and clarify to the Group why figure 2 overheads are included within the committed list additions figure.

27. David Satti – asked whether in respect of Transformation additions, SW would expect these projects to be part of the transformation payback? I.e. Would that generate part of the 5-year cash payback?
28. Simon Parsons – confirmed Reporting Redefined and Open Data have cash positives.

Action 13 – SW to confirm whether the Transformation additions are included as part of the transformation payback in the additional session identified at Action 2.

ITEM 8 – AOB

No other business.

29. The next meeting is scheduled for 20 September 2023, hosted by SG venue tbc