

Scottish Water's Performance 2014-15

About this document

This document reports Scottish Water's performance in delivering outcomes for customers and the environment in 2014-15, the last year of the five-year regulatory control period 2010-15.

During this period, Scottish Water was expected to improve its efficiency further, continue to increase its service levels, and deliver all of the drinking water, environmental and other improvement objectives set by the Scottish Ministers. Standards were already high, so the challenge was considerable.

We assessed performance by comparing what was delivered in 2014-15 with Scottish Water's Delivery Plan projections for that year. The Delivery Plan set out the projected profiles for delivering the Scottish Government's objectives for 2010-15, within the financial limits that we set in our Final Determination¹.

Overview of performance

The table opposite provides an overall rating, alongside a summary comment on performance, for each of the eight main areas that affect outcomes for customers and the environment.

We are pleased to report that, overall, Scottish Water continued to perform well in 2014-15, with most areas achieving a rating of 'on track' or better.

We welcome the improvement in levels of service to customers, where Scottish Water managed to achieve upper quartile performance by the end of the regulatory control period. Scottish Water's outperformance on leakage reduction is also to be commended.

While we are pleased to note that Scottish Water has continued to meet its overall output delivery targets and there has been out-performance in some areas of the investment programme, we have highlighted ongoing concerns with slippage in some programme elements, including in the important areas of improvements to water and wastewater treatment works. While the number of projects involved is relatively small, this has resulted in delays to the delivery of customer and environmental benefits.

Scottish Water has acknowledged the concerns raised by the Commission and the environmental and drinking water quality regulators about these delays and has provided assurance that the remaining projects will be delivered as soon as possible. We will continue to monitor progress in this area closely.

¹ Water Industry Commission for Scotland, 'The Strategic Review of Charges 2010-15: The final determination', November 2009.

Summary of Scottish Water's performance for the year 2014-15

Area of performance	Measure	Performance		Our Rating	Remarks
		Projected by Scottish Water	Actual		
Key outcomes for customers					
Levels of service to customers	Overall Performance Assessment (OPA) index	380+	400	✓✓	Achieved 3 points higher than the equivalent score in 2013-14, representing best ever performance.
Delivery of 2010-15 investment programme	Overall Measure of Delivery (OMD) index	236.5 to 248.7	239.1	ON TRACK	While overall performance is on track, outputs associated with 37 projects are behind schedule. Actions have been taken to ensure the remaining outputs are delivered as soon as possible.
Delivery of projects remaining from pre-2010 investment programmes	Number of completion projects	313	312	ON TRACK	Scottish Water is broadly on target, having delivered 312 of the 313 projects. The final project, which has been subject to a series of ongoing delays, is due for completion in 2015-16.
Leakage					
Performance against leakage target	Leakage level in millions of litres per day	570-600	544	✓✓	Reduced leakage to 566 to 544 million litres per day, against a target of 570-600. This represents best ever performance.
Costs					
Investment costs	Capital spend in £ millions	508	470	ON TRACK	Investment costs were contained, and significantly less than predicted. However, it should be noted that this was largely due to investment being deferred to the 2015-21 regulatory period to deliver the remaining outputs.
Operating costs	Operating costs in £ millions	532	506	ON TRACK	Scottish Water's day-to-day costs were lower than expected due to a rebate of local authority rates and a good control of spend.
Use of borrowing	Net new borrowing in £ millions	110	70	ON TRACK	Net new borrowing was £70 million, following agreement with the Scottish Government.
Financial strength					
Key financial ratios	Cash interest cover ratio.	3.3	3.6	✓	Ratios benefited from good control of costs and above forecast growth in the customer base. Strong finances limit the risk to future customers of increased bills to cover investment costs.
	Funds from operations as a percentage of net debt	11.6	13.5		

Key: ✓✓ significant outperformance ✗ underperformance
 ✓ outperformance ✗✗ significant underperformance
 ON TRACK on track

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