



## The overall measure of delivery

Customers finance around £500 million of investment each year through their water bills. This investment delivers cleaner beaches and rivers, higher quality drinking water and better service. We work with other industry representatives to monitor Scottish Water's progress in delivering the required outputs.

This information note explains one of the mechanisms that is used, the 'overall measure of delivery' (OMD).



## Introduction

Scottish Ministers define the objectives that Scottish Water must deliver to improve water quality, environmental performance and customer service. Our primary role is to ensure that Scottish Water has sufficient finance to deliver these objectives.

As part of the '**Outputs Monitoring Group**' we monitor Scottish Water's progress in delivering the investment required to achieve the Ministers' objectives. Other industry representatives in the group are the Drinking Water Quality Regulator, the Scottish Environment Protection Agency, Citizens Advice Scotland, Scottish Water and the Scottish Government.

To complement existing reporting we developed a new, high-level measure for the group to use when monitoring the delivery of the Ministers' objectives. The measure is referred to as the overall measure of delivery (or OMD).

## A brief description of the measure

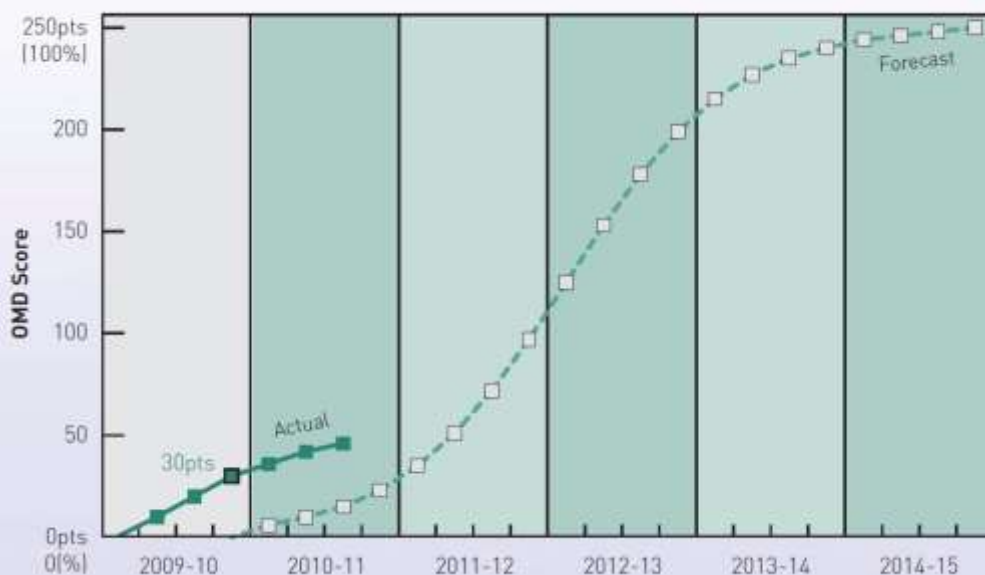
The OMD provides an objective assessment of output delivery progress by assessing whether outputs are 'ahead', 'on' or 'behind' target at each stage of investment<sup>1</sup> based on tramlines set around the original OMD target. The measure combines information about output performance with information about capital expenditure to produce a single OMD score. The result is a rounded view of actual investment delivery performance that can then be compared with the position that Scottish Water forecasts in its Delivery Plans.

Figure 1 overleaf shows an illustrative delivery profile for the regulatory control period 2015-16 to 2020-21. The OMD score, represented by the blue-dotted line, starts at zero at the beginning of the investment period and rises as the programme is delivered. If outputs are delivered early there is an above zero credit at the start of the period. In the example we have shown an early start credit of 30 points at the beginning of the period. Completion of the full set of deliverables occurs when a score of 250 points is attained.

<sup>1</sup> The five investment delivery milestones (MS) that are assessed mirror Scottish Water's investment process, from project inception to financial closure. They are: MS1 – preferred option identified, MS2 – budget approved, MS3 – work started on site, MS4 - work completed, MS5 – output signed-off externally.



**Figure 1: Example OMD delivery profile**



The Outputs Monitoring Group acknowledges that it can be difficult to forecast when outputs will be delivered and to estimate the expenditure required, especially for complex investment programmes. Some projects will be delayed or can be completed more quickly; similarly, some will cost more or less than originally envisaged. In response, the first year's OMD assessment is based on the initial forecast (that is, Scottish Water's 'baseline' Delivery Plan). It is then updated each year using the latest estimates from Scottish Water. In this way, the OMD will reflect planned changes in investment delivery and remain a credible monitoring tool throughout the 2015-21 investment period.

### Reporting the OMD score

The OMD score is now included as a headline figure in the Outputs Monitoring Group's quarterly reports. It provides stakeholders with a quantified assessment of overall investment delivery performance in addition to other reported delivery information, such as progress with individual objectives. To aid comparison, the assessed OMD score is presented in terms of the present financial year.



Revised October 2014

**Water Industry Commission for Scotland**

First Floor, Moray House, Forthside Way, Stirling FK8 1QZ

T 01786 430200

E [enquiries@watercommission.co.uk](mailto:enquiries@watercommission.co.uk)

[www.watercommission.co.uk](http://www.watercommission.co.uk)

