



AffinityWater



ANNEX E4

Efficiency of Gate 2 Spend

This document has been written in line with the requirements of the RAPID gate two guidance and to comply with the regulatory process pursuant to Severn Trent Water's and Affinity Water's statutory duties. The information presented relates to material or data which is still in the course of completion. Should the solution presented in this document be taken forward, Severn Trent Water and Affinity Water will be subject to the statutory duties pursuant to the necessary consenting process, including environmental assessment and consultation as required. This document should be read with those duties in mind.

Annex E4: Efficiency of Gate 2 Spend

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1. Introduction

This document provides a technical annex to the Gate 2 Report for the Grand Union Canal (GUC) Transfer SRO project, providing the supporting information, data and analysis to confirm the efficiency of spend to RAPID for Gate 2 expenditure as summarised in Chapter 11 of the GUC SRO Gate 2 paper.

The overall structure of this Annex is as follows:

- Section 2 provides the breakdown of the actual and forecast spend to Gate 2. Actual costs are provided to the end of July 2022 and forecast costs to 14th November 2022. A reconciliation of costs will be undertaken post Gate 2 submission. In order to meet the RAPID submission deadlines, actual costs to 14th November 2022 were not available at time of final publication; and
- Section 3 documents the procurement approach taken for the support services required for Gate 2, including shared procurement between integrated SROs, and how this has driven efficiency into the programme, change control & delivery to budget.

All costs throughout this annex are deflated to FY2017/18 prices.

2. Gate 2 Cost Breakdown

2.1 Introduction

The cost breakdown is presented, initially, compared to the RAPID Gate 2 allowance as a whole, and then broken down for comparison across the technical workstreams required for Gate 2. The costs are made up of internal staff costs for both Affinity Water (AfW) and Severn Trent Water (STW) which are focused upon SRO leadership, technical integration and tri-partite co-ordination, and also external consultancy costs for technical and other support services that were required for successful Gate 2 delivery.

2.2 RAPID Gate 2 Allowance

The cost allowances to produce the Gate 2 submission were provided in Ofwat's Final Determination documentation¹. The allowances for the GUC Transfer SRO are shown in Table 1, with costs split equally between AfW and STW. The RAPID Gate 2 allowance is £2.7M. RAPID approved the use of the SRO's Gate 1 underspend (£310,131) as part of the Gate 2 budget (email 05/01/22). Following agreement by RAPID (email 25/05/22) some Gate 3 Summer 2022 monitoring activities commenced in the Gate 2 period and £305,000 Gate 3 spend has been brought forward to the Gate 2 period, which equates to utilising 4.5% of the Gate 3 budget in the Gate 2 period. The total Gate 2 budget is therefore £3,315,131.

Table 1: RAPID cost allowances for GUC SRO

Stage	Affinity Water allowance (£M) (FY2017/18 base price)	Severn Trent allowance (£M) (FY2017/18 base price)	Total (£M) (FY2017/18 base price)
Gate 1	0.90	0.90	1.80 (10%)
Gate 2	1.35	1.35	2.70 (15%)
Gate 3	3.15	3.15	6.30 (35%)
Gate 4	3.60	3.60	7.20 (40%)
TOTAL	9.00	9.00	18.00

¹ [PR19-final-determinations-Strategic-regional-water-resource-solutions-appendix.pdf \(ofwat.gov.uk\)](#)

2.3 Gate 2: Actual and Forecast Costs

The actual costs are recorded to the end of July 2022, based upon actual invoices received, plus additional forecast contracted costs to the Gate 2 submission (14th November 2022). The contracted spend to Gate 2 is £3.2M, and Table 3 shows a predicted underspend of c. £86k.

The Gate 2 EA Area costs and NAU budget is £179k. To the end of July 2022, £63k has been invoiced against this budget line, and it is unlikely that additional expenditure will reach the budget ceiling.

The majority of the Gate 2 work packages were procured in 2021 and early 2022, before the current period of high inflation. We expect that the impact of high inflation on Gate 2 is therefore minimal.

A reconciliation will be undertaken at the end of November 2022 to provide a final spend against budget.

For deflation values from our current costs & forecasts, we have used the data in Table 2 below. The latest forecasted STW CPIH indices are different from 2022-23 to 2024-25 and represent increased inflation.

Table 2: RAPID deflation CPIH index to 2017-18 prices

2017/18	CPI-H	Def/Fac	2017/18	Benchmark
104.2	109.1	0.955	2020/21	April 2020 - March 2021
	113.1	0.921	2021/22	April 2021 - March 2022
	120.4	0.865	2022/23	April 2022 - March 2023
	122.5	0.851	2023/24	April 2023 - March 2024
	124	0.840	2024/25	April 2024 - March 2025

2.4 Gate 2: Cost breakdown by technical workstream

The actual costs are recorded against each of the main the technical workstreams. The details of why each workstream was required and the alignment of each of the Gate 2 requirements are outlined in Section 3. Table 3 provides the breakdown of the actual costs, showing the % of total spend per category / activity against the OFWAT Final Determination allowance. The breakdown of the actual costs by category / activity and the procurement route used is shown in Table 4.

RAPID approved some Gate 3 Summer 2022 monitoring activities commencing in the Gate 2 period and £305,000 Gate 3 spend has been brought forward to the Gate 2 period. The early Gate 3 expenditure is highlighted in Table 3, but the budget estimate has not been spent in full.

Table 3: Gate 2 Cost Breakdown by Category and Activity^{2, 3, 4}

Category	Activity	Expenditure Activity (£)	% of Total Expenditure Activity	Expenditure Category (£)	% of Total Expenditure Category	Description
Programme and Project Management	PM & PMO	398,740	12.3%	437,120	13.5%	Project manager and project management office
	Assurance	38,380	1.2%			3rd line assurance and copywriting
Feasibility Assessment and Concept Design	Canal modelling	358,803	11.1%	858,404	26.6%	Hydraulic and water quality modelling
	Engineering	499,601	15.5%			Transfer, canal, abstraction and treatment design and reporting
Option benefits, development and appraisal	Non-water resource benefits	incl	0.0%	-	0.0%	included in Engineering
	Carbon, wider best value & option appraisal	incl	0.0%			included in Engineering
Environmental Assessment	Ecological monitoring	53,022	1.6%	604,313	18.7%	Ecological monitoring and reporting
	Ecological monitoring - Summer 22	51,127	1.6%			Ecological monitoring and reporting - early gate 3 spend
	Environmental Assessment	289,121	9.0%			Environmental monitoring and reporting
	National Assessment Unit (NAU) & Environment Agency (EA) Area costs	178,797	5.5%			Regulator requested budget for NAU and EA area costs
	Natural England	32,246	1.0%			Regulator requested budget for Natural England
	Water Quality	734,892	22.8%			Sampling analysis and reporting
Data collection, sampling and pilot trials	Water Quality - Summer 22 monitoring	187,910	5.8%	930,915	28.8%	Sampling analysis and reporting - early gate 3 spend
	Emerging substances monitoring	8,112	0.3%			Sampling analysis and reporting - early gate 3 spend
	Procurement Strategy	132,049	4.1%			Procurement options and reporting
Planning Strategy	Procurement strategy	9,120	0.3%	9,120	0.3%	DPC planning workshop and reporting
	Land referencing, field surveys, permitting plans	incl	0.0%			Included in Environmental Assessment and Engineering
Stakeholder engagement	Customer Engagement	40,302	1.2%	40,302	1.2%	Customer research, benefits & impact and reporting
Legal	Legal advice and collaborative agreement	9,591	0.3%	9,591	0.3%	Legal advice and legal agreement between water companies
Other	The Trust	187,001	5.8%	207,691	6.4%	3rd party cost
	Water Resources South East (WRSE) upload	20,690	0.6%			3rd party cost
Total		3,229,506	100.0%	3,229,506	100%	
Gate 2 Allowance	OFWAT PR19 final determination for gate 2	2,700,000		2,700,000		
Transfer from gate 1	Gate 1 underspend approved for gate 2 use	310,131		310,131		RAPID approval 05/01/22
Early gate 3 spend	Approved early gate 3 spend	305,000		305,000		RAPID approval 25/05/22
Revised gate 2 allowance		3,315,131		3,315,131		
Gate under / overspend		85,625		85,625		

² Workstreams include spend to deliver Gate 2 outcomes, and spend where we have procured items in accordance with our Gate 3 programme. Where the latter occurred, we ensured this was discussed with RAPID as acceptable prior to incurring expenditure.

³ Differences in percentages in Activities are accounted for by rounding from Excel base numbers

⁴ Tripartite leadership costs (shown in Table 4) are apportioned across workstreams in Table 3 according to the Expenditure Activity percentage

Table 4: Gate 2 Cost breakdown by workstream with procurement route^{5, 6}

Category	Activity	Expenditure Activity (17/18 FY £)	% of Expenditure Activity	Procurement Route and Comments
Programme and Project Management	PM & PMO	334,999	10.4%	Competitively tendered in gate 1 under AfW framework rates, carried over into gate 2 under framework rates against specified inputs
	Assurance	29,698	0.9%	Competitive mini-tender under STW framework
	Copywriting	2,764	0.1%	Direct award
Feasibility Assessment and Concept Design	Canal modelling	124,815	3.9%	Competitive mini-tender under AfW framework
	Topographical Survey	73,604	2.3%	Competitive mini-tender under AfW framework
	Hydrometric survey	90,455	2.8%	Competitive mini-tender under AfW framework
	Engineering	419,737	13.0%	Competitive mini-tender under AfW framework
	Operational strategy	-	0.0%	Included in Engineering competitive tender
	Discharge water quality impact assessment	7,729	0.2%	Extension to consultant contract procured via competitive mini-tender under STW framework
	CE3 - Aquator Drought Scenario Modelling	-	-	-
Option benefits, development and appraisal	CE4 - Additional CFD Modelling	4,842	0.1%	Extension to consultant contract procured via competitive mini-tender under STW framework
	Non-water resource benefits	-	0.0%	Included in Engineering competitive tender
Environmental Assessment	Carbon, wider best value and option appraisal	-	0.0%	Included in Engineering competitive tender
	Ecological monitoring	44,546	1.4%	Competitive mini-tender under STW framework
	Environmental Assessment	242,903	7.5%	Competitive mini-tender under STW framework
	Ecological monitoring (summer 22)	42,954	1.3%	Extension to consultant contract procured via competitive mini-tender under STW framework
	NAU & EA Area costs	167,956	5.2%	3rd party cost
Data collection, sampling and pilot trials	Natural England	32,246	1.0%	3rd party cost
	Targeted baseline desktop studies	-	0.0%	Included in Engineering competitive tender
	Water Quality (P2)	736,266	22.8%	Competitive mini-tender under STW framework
	Emerging substances review	-	0.0%	Included in WQ competitive tender
	Emerging substances monitoring	6,815	0.2%	Extension to consultant contract procured via competitive mini-tender under STW framework
	WQ sampling at Leighton Buzzard	39,020	1.2%	Extension to consultant contract procured via competitive mini-tender under STW framework
Procurement Strategy	Procurement strategy	114,622	3.5%	Competitive mini-tender under STW framework
Planning Strategy	Planning and consent strategy	-	0.0%	Included in Engineering competitive tender
	Planning workshop	7,662	0.2%	Competitive mini-tender under AfW framework
	Land referencing, field surveys, permitting plans	-	0.0%	Included in Engineering competitive tender
Stakeholder engagement	Customer Engagement	33,859	1.0%	Competitive tender, procurement on behalf of all WRSE companies
Legal	Collaborative agreement AfW & STW	1,449	0.0%	Direct award
	Legal advice	6,477	0.2%	Direct award
Other	The Trust	147,582	4.6%	3rd party cost
	WRSE	19,451	0.6%	3rd party cost
Tripartite leadership costs	Tripartite leadership costs	497,052	15.4%	Internal costs
Total		3,229,506	100%	

⁵ Workstreams include spend to deliver Gate 2 outcomes, and spend where we have procured items in accordance with our Gate 3 programme. Where the latter occurred, we ensured this was discussed with RAPID as acceptable prior to incurring expenditure.

⁶ Differences in percentages in Activities are accounted for by rounding from Excel base numbers

3. Efficient Delivery of Gate 2 Activities

3.1 Introduction

This section provides commentary on how we have driven efficiency into the Gate 2 submission. This efficiency includes:

- Alignment between the RAPID Gate 2 requirements and the work packages initiated to ensure all spend is relevant to SRO delivery of the Gate 2 submission;
- Agreement of a standardised methodologies for selected work packages across SROs via the All Company Working Group (ACWG). The GUC SRO Programme Management Board (PMB) has AfW and STW membership and attends the weekly ACWG meetings;
- Application of competitive procurement approaches, wherever possible;
- Procurement across SROs, for aligned work packages;
- Robust change control processes and delivery to budget; and
- Considering efficiency in terms of both scope and procurement.

3.2 Scope Efficiency

In order to ensure the scope of work delivered for the Gate 2 submission was efficient, we aligned the programme Work Breakdown Structure to the requirements defined by Ofwat in their Final Determination documentation¹ from RAPID in their published assessment criteria for Gate 2⁷ and also against the Gate 2 reporting template⁸ as supplied by RAPID.

The alignment of the workstreams with the Gate 2 submission requirements and cross-referenced to the supporting Technical Annexes or specific section of the Gate 2 report is shown in Table 5. The work that we have completed was all required for a robust submission at Gate 2, aligned closely to RAPID's requirements, and has been subject to independent assurance.

Table 5: Workstream alignment to requirements for Gate 2 submission

OFWAT PR19 Annex 2: Gate Activities and Outputs – Gate 2	Category and Activity	Associated technical annex / chapter
Detailed feasibility and data collection (with increased certainty) in a concept design report	Feasibility Assessment and Concept Design: <ul style="list-style-type: none"> • Engineering • Canal Modelling 	Annex A Chapters 1, 2, 3, 4, 5, 7, 8, 12, 13
Develop procurement strategy including assessment for potential direct procurement for customers' delivery.	Procurement Strategy	Annex E1 Chapters 1, 2, 3, 7, 8, 12, 13
Pre-planning application activity plan (land referencing, field surveys, environmental permitting plans)	Planning Strategy <ul style="list-style-type: none"> • Engineering • Environmental Assessment • Project plan 	Annexes A, B and E5 Chapters 1, 2, 3, 4, 5, 6, 7, 8, 9, 12, 13
Full comparison of solutions' costs and benefits as tested in regional or	Option benefits, development and appraisal	Annexes A and B Chapters 1, 2, 3, 4, 5, 6, 7, 8, 12, 13

⁷ RAPID, April 2022, "Strategic Regional Resource Solutions Guidance for Gate 2"

⁸ RAPID, March 2022, "Standard Gate Two Submission Template"

OFWAT PR19 Annex 2: Gate Activities and Outputs – Gate 2	Category and Activity	Associated technical annex / chapter
national modelling with consideration of inter-regional options and systems impacts	<ul style="list-style-type: none"> • Engineering • Canal Modelling • Environmental Assessment 	
Identification of mutually exclusive solutions	Option benefits, development and appraisal <ul style="list-style-type: none"> • Engineering • Canal Modelling 	Annex A Chapters 1, 2, 3, 7, 8, 12, 13
External assurance of data and approaches supported by Board statement	Programme and project management <ul style="list-style-type: none"> • Assurance 	Annex E3 Chapter 10
Updated regional stakeholder engagement including customer preference studies	Stakeholder Engagement	Annex E2 Chapter 9
Details of efficient spend to gate submission on gate two activities, including a breakdown of costs against activities and evidence of efficiency of spend (benchmarking or tenders) and assurance	Programme and project management	Annex E4 Chapter 7
Assessment of key risks to identify potential regulatory barriers, guidance or changes required for the solution to progress	Procurement Strategy Option benefits, development and appraisal <ul style="list-style-type: none"> • Engineering 	Annexes A, E1 Chapters 1, 2, 3, 7, 8, 12, 13
Identify impacts of solution on current supply-demand balance delivery plan with simple comparison to current programme solutions	Procurement Strategy Option benefits, development and appraisal <ul style="list-style-type: none"> • Engineering 	Annexes A, E1 Chapters 1, 2, 3, 7, 8, 12, 13
Identification of any changes in solution partner (other water company) or solution substitutions	No changes identified	Chapters 1, 10
Develop solution programme plan to determine the activities that need to be undertaken prior to each subsequent gate	Programme and project management Project Plan	Annex E5 Chapters 7, 12, 13
Proposals for gate three activity and outcomes, and penalty scale, assessment criteria and contributions	Programme and project management Project Plan	Annex E5 Chapters 7, 12, 13

3.3 Procurement Efficiency

We have applied two key principles to ensure efficient procurement of the support services required for the Gate 2 submission:

1. For “below threshold” procurement, the “Nominated Purchaser” and “mini competition” process across each company’s frameworks will apply as set out in the current procurement letter-agreement;
2. For “above threshold” procurement:
 - a. for each procurement exercise, one company would assume responsibility for the administrative tasks for both companies tendering in issuing the Official Journal of the European Union (OJEU) notices etc;
 - b. both companies would work together to design and draft the ITT and score the tenderers; and
 - c. the winning tenderers would then sign identical contracts with each water company.

There have been no “above threshold” packages of work procured for Gate 2, which has meant no formal OJEU procurement has been required.

The approach at point 2 assumes that both water companies are jointly responsible for the OJEU-compliant tender process, working together as a single unit in the preparation and scoring of the tenders and addressing any OJEU challenges. Liabilities are shared equally. This approach follows the governance and project management processes already in place between the companies.

Common procurement principles are required, in order to ensure the efficient and timely securing of technical and professional support services. A common procurement approach was proposed by the GUC Transfer SRO and adopted across the GUC and Minworth SROs with the approval of the Programme Management Board (PMB), comprising representatives from the water companies and the Canal & River Trust (the Trust). This common approach confirms that all procurement activity shall be undertaken with agreement of the PMB via individual water companies.

These procurement guidelines provide:

- Standardised rules for procurement of services;
- OJEU-compliant procurement rules;
- Seeking to provide best value for money and demonstrate efficient spend;
- Prioritised hierarchy of standard procurement approaches, including:
 - Mini-competition of existing valid framework suppliers;
 - Direct allocation to a valid framework supplier where the framework agreement allows;
 - Procurement under the OJEU regulations for “above threshold” procurement; and
- Requirement for PMB and water company commercial approval of alternative non-framework or OJEU procurement approaches (e.g. direct award) for particular, specialist work packages - to be used by exception.

These procurement guidelines allow governance and control over the procurement of technical services and drive accountable efficiency into the process and have been adopted in the delivery of the Gate 2 submission.

In accordance with these guidelines, where possible, mini-competitions or direct allocation of work packages to suppliers on existing company frameworks have been utilised. The breakdown of Gate 2 spend by procurement mechanism is shown in Table 6.

Table 6: Breakdown by procurement mechanism

Award Type	Totals by Award type (£, 2017-2018 prices)	% of total spend	% eligible external spend
Extension to Framework Mini-bid procured at gate 1	334,999	10.4%	14.2%
Framework Mini-bid procured at gate 2	1,918,169	59.4%	81.1%
Extension to Framework Mini-bid procured at gate 2	101,361	3.1%	4.3%
Direct Award	10,690	0.3%	0.5%
3rd Party	367,236	11.4%	n/a
Tripartite leadership costs	497,052	15.4%	n/a
Total	3,229,506	100%	100%

The work packages procured for this SRO, and the procurement approach followed, are detailed in Table 4. The purchasing company was selected on the basis of which organisation was best placed to most competitively procure the required work.

As far as practical and efficient to do so, procurement activity has sought to distribute evenly the value of packages between the water companies to maintain a broadly equal spend profile at the end of each gate. However, it is acknowledged that other factors also needed to be considered in selecting a company framework such as number and capability of suppliers.

A schedule of appointed suppliers has been maintained by the Project Manager as part of the SRO budget, and reported monthly to the PMB. A reconciliation of spend against the appointment of suppliers is carried out at regular (at least 3-monthly) intervals. Should one partner company spend more than the other, there will be a reconciliation via a payment process at the end of the gate period so that there is an equal spend between partner companies.

As noted in Table 4, a number of work packages have been procured on behalf of multiple SROs, to drive efficiency into both the procurement process (fewer contracts to let and manage) and also into the management and delivery of the associated services (fewer consultancy interfaces). This has included:

- Stakeholder engagement work packages, with resultant savings on programme management, survey logistics, liaison with regulators and reporting;
- Programme Management, with resultant efficiency saving on aspects such as PMB reporting, meetings, team management, cost reporting and schedule management; and
- Assurance work packages, with resultant savings on programme management, survey logistics, liaison with regulators and reporting.

3.4 Efficiency of Spend

In delivering this submission we have adhered to the criteria provided by RAPID for efficient expenditure, namely that activities should be relevant, timely, complete and of high quality and that this should be backed by assurance.

We believe our expenditure to Gate 2 has been efficient and is evidenced by:

- We have ensured that any monies spent (e.g. on surveys or resources) is focused and relevant for this stage of the project. Only the expenditure relevant to delivering work packages to produce the Gate 2 submission have been included in our Gate 2 budget, with the exception of early Gate3 expenditure agreed with RAPID;

- Costs for procured services ensured efficient spend by following the prioritised hierarchy of standard procurement approaches as set out in section 3.3;
- Costs for procured services have been benchmarked where possible, and care has been taken to ensure efficient spend on agreed, appropriate activities to advance the development of this project through Gate 2.
- Work carried out focuses on agreed, appropriate activities to advance the development of this project through Gate 2;
- Working with three partner companies has necessitated a proportionate level of effort compared to other SROs to ensure effective lines of communication, decision making and governance across the companies. A core programme team made-up from representatives of the companies, supported by a competitively procured, independent programme manager, has been established to effectively manage this process. The three partners have been working to develop this solution collaboratively, however, implementation of this solution, from a planning and procurement perspective, will require more formal positions / relationships to be adopted from Gate 3;
- Business as Usual (BAU) costs have been explicitly excluded from Gate 2 costs for the SRO, stakeholders and technical consultants. Only the expenditure relevant to delivering work packages to produce the Gate 2 paper have been included in our Gate 2 budget;
- We have driven efficiencies through the utilisation of the core programme team and supported by technical experts procured through the existing framework agreements across the companies;
- It was not possible to competitively tender all work elements:
 - For example, work undertaken by the three companies and the costs of regulators such as the EA/NAU, Natural England and Water Resources South East (WRSE) could not be tendered. 27% of the Gate 2 costs could not be competitively tendered;
 - Of the remaining 73% of Gate 2 costs that could be competitively tendered, 59% of work packages were let specifically for Gate 2 via company frameworks, 3.1% were Gate 2 work package extensions, 10.4% were competitively tendered via company frameworks at Gate 1 and extended for Gate 2, and the remaining 0.3% were direct awards. Company frameworks were competitively tendered with prices externally benchmarked to ensure value for money for our customers. This has maximised cost savings for specific technical disciplines and has avoided duplication of activities and/or resources across the three companies;
- We have delivered economies of scale by partnering with other organisations to procure packages of work with common scope and objectives. Examples include tendering work packages for delivery across multiple SROs, such as the Assurance work package delivered by Stantec and procured for GUC, Minworth and STS SROs. We have also actively engaged with the ACWG to partially fund consistency projects such as the customer engagement work package;
- As an SRO we have reviewed existing data sources and undertaken gap analysis to ensure we have not duplicated existing research, and have instructed our partners to do the same;
- There were no activities in the planned expenditure to Gate 2 that were not carried out; and
- There were several packages of work undertaken in the Gate 2 period that were not anticipated in Gate 1, including the emerging substances review and longer periods of ecological and environmental monitoring over the summer 2022 period. Some elements of these additional work packages were delivered under the Gate 2 budget, whilst early Gate 3 funding was requested for some elements of these work packages.

3.5 Forecast spend to Gate 3

RAPID Gate 3 guidance (August 2022) confirmed that Gates 3 and 4 allowances will be merged and that the level of expenditure at each gate will not be assessed. As noted in the Guidance, the gate three and four allowances do not include funding for land acquisition, and this element is not included in the SRO's forecast spend. Our Final Determination allowance is £6.3m for Gate 3 and £7.52m for Gate 4 based on a 35% and 40% allocation respectively of £18m total funding.

RAPID approved some Gate 3 monitoring activities commencing in the Gate 2 period and £305,000 Gate 3 spend was brought forward to the Gate 2 period. This early Gate 3 expenditure has been

removed from the Gate 3 budget. The £85,625 underspend from Gate 2 has been approved by RAPID for carry forward to Gate 3 and the revised Gates 3 and 4 allowance is therefore £13.3m as shown in Tables 7 and 8.

Table 7: Gates 3 and 4 Budget GUC SRO

Item	Affinity Water (£M)	Severn Trent (£M)	Total (£M)
Final Determination GUC SRO	9.00	9.00	18.00
Gates 3 & 4 budget (75%)	6.75	6.75	13.50
Early Gate 3 spend utilised in Gate 2 period			-0.31
Gate 2 underspend (confirmed by email from RAPID on 28/09/22)			0.09
TOTAL Gates 3 and 4 budget			13.28

We have developed a Gate 3 budget through engagement with workstream leads and external stakeholders including EA (via the NAU), NE, DWI and RAPID. We have referenced the Gate 3 requirements published in the Final Determination and RAPID Gate 3 Guidance and mapped activities and deliverables to achieve those outcomes. A detailed programme for Gate 3 can be viewed in our response to Chapter 7 of the Gate 2 submission. Our forecast spend for Gate 3 is provided in Table 8. It should be noted that this is a forecast and is based upon a number of assumptions, dependencies and risks (as referenced in Chapters 3, 7, 8 and 11 of the Gate 2 submission), including the potential impact of inflation, which will be refined as we progress to procurement of work packages.

Table 8: Gate 3 Forecast Spend⁹

Category	Activity	Expenditure Activity (£, 2017-2018 prices)	Expenditure Category (£, 2017-2018 prices)	% of Total Expenditure Category
Programme and Project Management	PM & PMO	500,000	660,000	8.0%
	Assurance	160,000		
Feasibility Assessment and Concept Design	Detailed surveys (topo, geo & contam land)	470,000	2,980,000	36.1%
	Solution Design & support data	1,840,000		
	Modelling	650,000		
	CDM	20,000		
Option benefits, development and appraisal	Incl	incl	0	0.0%
Environmental Assessment	Planning (EIA co-ordinator/ planning advisor)	630,000	930,000	11.3%
	NAU & EA Area costs	300,000		
Data collection, sampling and pilot trials	Continued environmental monitoring	420,000	3,010,000	36.5%
	Targeted ecological surveys for EIA	1,200,000		
	Continued WQ monitoring and lab analysis	1,360,000		
	Drinking water safety plan update	30,000		
Procurement Strategy	Procurement and Funding strategy	40,000	40,000	0.5%
	Engineering procurement	0		
Planning Strategy	Land referencing	80,000	80,000	1.0%
	Land Acquisition	0		
	Planning/ consents fees	0		
	Planning performance agreement	0		
Stakeholder engagement	Support to planning work	40,000	40,000	0.5%
Legal	Commercial & legal advice	220,000	220,000	2.7%
Other	The Trust	280,000	290,000	3.5%
	WRSE regional planning	10,000		
Total		8,250,000	8,250,000	100%
Gate 3 and Gate 4 Allowance	OFWAT PR19 final determination for Gates 3 & 4	13,500,000	13,500,000	
Transfer from previous gate	RAPID approval 25/05/22		- 305,000	
Underspend from Gate 2	RAPID email 28/09/22		85,625	
Revised Gates 3 and 4 allowance			13,280,625	
Remaining Budget			5,030,625	

3.6 Assurance of Current and Forecast Spend

We can confirm that our Gate 2 expenditure and forecast Gate 3 expenditure has been assured by Stantec, our external assurance providers. The outcome of their assessment can be viewed in Chapter 10 and Annex E3 Assurance Report and Board Statement.

⁹ Differences in percentages in Activities are accounted for by rounding from Excel base numbers