

Gate two query process

Strategic solution(s)	Thames to Southern Transfer (T2ST)
Query number	TST001
Date sent to company	22/11/2022
Response due by	24/11/2022

Query

Efficiency of expenditure:

- Can you break down the following categories into separate activities:
 - Programme & Project Management
 - Feasibility Assessment and Concept Design
 - Environmental Assessment
 - Data collection, Sampling, and Pilot Trials
- Can you confirm there is nothing included in 'Other'

Solution owner response

This response has been written in line with the requirements of the RAPID Gate 2 Guidance and to comply with the regulatory process pursuant to Thames Water's and Southern 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 the Gate 2 documents be taken forward, Thames Water and Southern Water will be subject to the statutory duties pursuant to the necessary consenting process, including environmental assessment and consultation as required. This response should be read with those duties in mind.

As requested by the RAPID guidance for Gate 2¹, no information on the cost breakdown of categories of work was provided in the Gate 2 submission as no category has a cost in excess of £500k. This response seeks to further explain the breakdown of certain costs as requested by RAPID, noting that this is at a level of detail beyond the Gate 2 Guidance.

As discussed in the Gate 2 report, all costs submitted are based on actual costs to the end of August 2022 and estimated forecast costs to the Gate 2 submission in November 2022. The final numbers for Gate 2 are yet to be finalised but will generally be less than those reported on in our Gate 2 submission and summarised below.

Programme & Project Management

The activities that make up the overall costs for the “Programme & Project Management” category are shown in Table 1 below.

Table 1: Programme & Project Management, breakdown of Gate 2 costs (£, 2017/18 prices)

Activity	Spend	% total
Thames Water and Southern Water governance, PMO, procurement, technical and commercial support	160,730	46%
Consultant 2nd line assurance of environmental deliverables for Gate 2	20,059	6%
Consultant 3rd line assurance of all deliverables for Gate 2	48,870	14%
Consultant Programme Manager (3 days/week for duration of Gate 2 work)	119,848	34%
TOTAL	349,508	100%

The “Thames Water and Southern Water governance, PMO, procurement, technical and commercial support” activity includes all water company costs associated with the overall project delivery to Gate 2. This includes all internal oversight and governance activities, procurement costs as well as monitoring

¹ RAPID, April 2022, “Strategic regional water resource solutions guidance for gate two”, page 10 – “Incurred costs for the gate activity should be presented in the 2017-18 price base and provided aligned to the agreed gate activities within each category listed above. These costs should be further broken down if any cost line is greater than £0.5 million in value.”

and reporting of spend for Gate 2. The split in Thames Water and Southern Water costs was very similar.

Due to the complex and multidisciplinary nature of the environmental deliverables being reviewed, it was agreed that 2nd line assurance would be undertaken by a consultant (AECOM) rather than by Thames Water and Southern Water internal staff. This consultant support was competitively procured and paid on a time and materials basis using tendered framework rates.

Independent 3rd line assurance was undertaken on all of the Gate 2 submission by Jacobs. Jacobs were appointed following a competitive procurement process under a lump sum arrangement.

A consultant Programme Manager was appointed at the start of Gate 1 following a competitive procurement process using tendered framework rates. This Programme Manager was retained for the entirety of Gate 2 work on a part-time (up to 3 days/week) basis on a time and materials contract.

Feasibility Assessment and Concept Design

The activities that make up the overall costs for the “Feasibility Assessment and Concept Design category are shown in Table 2 below.

Table 2: Feasibility Assessment and Concept Design, breakdown of Gate 2 costs (£, 2017/18 prices)

Activity	Spend	% total
Thames Water and Southern Water governance, PMO, procurement, technical and commercial support	70,295	15%
Engineering 'Feasibility Assessments' – Engineering inputs into Route & Site Selection & development of the Concept Design Report (including all aspects of design work undertaken)	237,542	51%
Engineering - constructability review and construction programming (for Concept Design Report and Project Delivery Plan, Annex F)	39,292	8%
Environmental Studies 'Feasibility Assessment' – Environmental inputs into Route & Site Selection	34,534	7%
Licensing strategy (to identify, quantify and analyse environmental licences (abstraction, discharge, transfer) required from EA to deliver scheme) – contribution towards larger piece of work led by SESRO team	50,071	11%
Planning strategy support 'Feasibility Assessment' – Planning inputs into Route & Site Selection	31,047	7%
TOTAL	462,782	100%

The “Thames Water and Southern Water governance, PMO, procurement, technical and commercial support” activity includes all water company costs associated with the ‘Feasibility Assessment and Concept Design’ stage to Gate 2. This was mainly through the Route & Site Selection process and through development of the Concept Design in a series of workshops and document reviews. This also includes all procurement costs for procuring consultants for these activities.

For T2ST work to Gate 2, the ‘Feasibility Assessment and Concept Design’ category was deemed to include all of the Route and Site Selection (RSS) Report (Annex A2) and the Concept Design Report (Annex A4) while the Options Appraisal was included in the ‘Option benefits development and appraisal’ category. The RSS report was a collaborative effort from a combination of engineering, environmental and planning consultants hence why the breakdown separates the different inputs.

Environmental Assessment

The activities that make up the overall costs for the “Environmental Assessment” category are shown in Table 3 below.

Table 3: Environmental Assessment, breakdown of Gate 2 costs (£, 2017/18 prices)

Activity	Spend	% total
Environmental studies – all detailed assessments of preferred routes including the SEA, HRA, WFD and summary EAR documents (Annexes B1-B4)	154,716	36%
Hydrological, river water quality and hydro-ecology assessments	29,703	7%
Water quality modelling to confirm impacts on River Thames (development of models for future EIA) – contribution towards wider work led by SESRO team	45,969	10%
Environment Agency/ NAU costs	167,637	39%
Thames Water and Southern Water governance, PMO, procurement, technical and commercial support	35,205	8%
TOTAL	433,230	100%

The “Environment Agency/ NAU costs” account for all costs that the SRO pays to fund the EA’s and Natural England’s involvement in the SRO programme, including a part share of the NAU costs and also meeting local (Area level) costs, as required for meetings, technical review and the like.

The NAU costs have been agreed with the EA on a lump sum basis, payable quarterly. The local Area costs are agreed on the basis of actual (timesheet recorded) hours and costs incurred. This agreement stems from an overarching agreement reached between the NAU and all SROs at Gate 1, which was then subsequently extended to cover the period to Gate 2 in a subsequent letter.

The total NAU costs allowed for include £36,000 for NE, £60,508 for NAU and £98,388 area costs all deflated back to 2017/18 prices.

At the time of finalising our Gate 2 costs, the precise NAU costs were not known therefore a conservative assumption was made that the entire NAU allowance agreed at the start of Gate 2 work would be spent. The actual spend is likely to be significantly less than this original estimate but is yet to be closed out.

The “Thames Water and Southern Water governance, PMO, procurement, technical and commercial support” activity includes all water company costs associated with the ‘Environmental Assessment’ stage to Gate 2. This was

mainly through the detailed assessment phase. This also includes all procurement costs for procuring consultants for these activities.

Data collection, Sampling, and Pilot Trials

The activities that make up the overall costs for the “Data collection, Sampling, and Pilot Trials” category are shown in Table 4 below. These activities were all critical to developing the environmental baseline for the T2ST solutions presented at Gate 2, against which robust environmental appraisal and water quality risk assessment could be completed. The scope for the water quality monitoring programme was shared with the DWI in advance and the scope of the environmental surveys was agreed with the NAU in advance.

Table 4: Data collection, Sampling, and Pilot Trials, breakdown of Gate 2 costs (£, 2017/18 prices)

Activity	Spend	% total
Algae sampling and lab testing (including weekly sampling and chlorophyll, nutrients and physical parameters analysis) – River Thames and Testwood Lakes	96,015	25%
Water quality sampling and monitoring (River Thames and Testwood Lakes)	210,773	54%
Fish and macrophyte surveys (River Thames)	24,620	6%
INNS and invertebrate surveys (River Thames)	27,428	7%
Thames Water and Southern Water governance, PMO, procurement, technical and commercial support	31,738	8%
TOTAL	390,574	100%

The “Thames Water and Southern Water governance, PMO, procurement, technical and commercial support” activity includes all water company costs associated with the ‘Data collection, Sampling, and Pilot Trials’ stage to Gate 2. This was ongoing throughout all surveys and data collection for Gate 2. This also includes all procurement costs for procuring consultants for these activities.

Can you confirm there is nothing included in 'Other'?

We confirm that there are no costs to assign to the “other” cost category.

We would be pleased to discuss any aspect of this further as required.

Date of response to RAPID	24/11/2022
Strategic solution contact / responsible person	[REDACTED]