

## Accelerated gate two queries process

<b>Strategic solution(s)</b>	Havant Thicket
<b>Query number</b>	HAV006
<b>Date sent to company</b>	16/12/2021
<b>Response due by</b>	20/12/2021

### Query

- Please provide the full assurance report completed by Jacobs, including the full section on costs and cost modelling.
- Where in the submission can we find results of the internal benchmarking undertaken by SW and its SME supply chain referenced in your response to HAV003? If it is not in the submission, please provide us with results indicating the range in which the costs presented in this submission fall relative to your internal benchmarking.
- Without sharing the industry and market data that is Intellectual Property of [REDACTED] or SW cost data, please provide an overview of the range in which the costs presented in this submission fall relative to these data.
- Where in the submission can we find the "high level sensitivity analysis to understand how costs increase or decrease when different future scenarios of the solution are considered" as mentioned in your response to HAV003?
- Please describe the differences between capex estimates presented in Table 10 of the Havant Thicket Concept Design Report and those presented in Table 11 of the same document.

### Solution owner response

- Please provide the full assurance report completed by Jacobs, including the full section on costs and cost modelling.

The Jacobs report is attached ([HAV006 Jacobs – New Gate 2 Final Assurance Statement.pdf](#)). Please note we are asking permission to publish this and will be in touch if we are unable to. Annex 6, Efficiency of Expenditure, was undergoing final

formatting amendments on the morning of the 6<sup>th</sup> December and Jacobs were unable to view offline the final version which is reflected in the scoring. We have since asked them to complete a post submission addendum to this report, which we will provide to you as part of the full report.

- Where in the submission can we find results of the internal benchmarking undertaken by SW and its SME supply chain referenced in your response to HAV003? If it is not in the submission, please provide us with results indicating the range in which the costs presented in this submission fall relative to your internal benchmarking.

In our response to HAV003 (fifth bullet) we stated:

*“No third party benchmarking analysis was commissioned however, internal benchmarking was undertaken by SW and its SME supply chain. Third party assurance of the costs was completed by Jacobs prior to submission with the assurance process being described in Annex 7, Assurance process”*

The Studies and Investigations framework was competitively tendered on the open market in 2019/202 to establish the framework contracts for each Lot. The agreement of these frameworks set the rates to be applied for all services within each respective framework lot. The contract manager will review all incoming tenders for adherence to the agreed framework rates, before applying a sense check to ensure the proposals are in line with industry norms. SWS’ procurement mechanisms allow the option of either direct award or mini competition. As a result, we can be sure that the framework rates in the first instance reflect the market value at the point at which the tender was completed.

During renegotiation of the Strategic Supplier Partnership (SSP) framework rates for AMP 7, SWS compared the SSP rates against other rates for similar services– this demonstrated that the SSP offers value for money against the other SWS frameworks such as the Delivery Partner Frameworks.

The internal benchmarking process is further described in our response to HAV003 (sixth bullet):

*“The costs and costing methodology used for the pipeline elements was tested and refined with estimating expertise in our partners [REDACTED]. The final costs were agreed collectively. The same approach was adopted for the tunnelling elements with [REDACTED].”*

*Southern Water engaged the services of [REDACTED] (tunnelling) and Southern Water’s delivery partner [REDACTED] (infrastructure) to provide assistance in terms of constructability for the engineering solutions currently proposed at Gate 2. While this was not a stand-alone external benchmarking exercise, the benefit of this in terms of cost, was that the tunnelling team at [REDACTED] and the estimating team at [REDACTED] were able, as part of the collaborative team, to provide assurance that costs collectively produced, were appropriate for market conditions at the time and the complexities of the solutions.”*

To clarify, the process undertaken to establish alignment with market costs was not developed by the benchmarking of individual assets and elements against comparable market costs. But rather a collaborative and collective estimating of costs, undertaken with both [REDACTED] and [REDACTED]'s tunnelling team. This did not result in a benchmarking report showing how costs may generically compare to others in the sector, but followed a more robust process of collectively pricing the project specific elements at a granular level resulting in a collaboratively priced bill of quantities. This engagement with the SME's provided the assurance that both costs and constructability proposals were appropriate with the market at the time of estimating.

- Without sharing the industry and market data that is Intellectual Property of [REDACTED] or SW cost data, please provide an overview of the range in which the costs presented in this submission fall relative to these data.

Where costs were calculated from a top down position, the most robust cost data available to the estimating team was sought. This did not follow the alternative approach of comparing Southern Waters cost data to similar asset models available, as this was deemed to be overly subjective at the Gate 2 stage. A more analytical approach, aligned with the greater level of detail provided by Southern Waters design teams, was followed. The process components were priced from the cost data considered to be the most robust in terms of relevance to the actual project requirements (SW or [REDACTED] data). This enabled the estimating team to select the best models available from both the Southern Water and [REDACTED] held data. This information was then fed into the Bill of Quantities produced in [REDACTED], to provide an inclusive cost schedule of all components within the direct costs. It is therefore not possible to provide a range.

- Where in the submission can we find the "high level sensitivity analysis to understand how costs increase or decrease when different future scenarios of the solution are considered" as mentioned in your response to HAV003?

See Annex 12, Sections 4.3.2 (B5) and 4.4.2 (B4) for the high level sensitivity analysis. As mentioned in our response to HAV003, 7th bullet point, *"This work is at an immature stage of development and we propose to share with RAPID at Checkpoint meetings between Gate 2 and 3"*. This detailed sensitivity analysis is planned to be included within the Gate 3 deliverables (as per response to HAV003).

- Please describe the differences between capex estimates presented in Table 10 of the Havant Thicket Concept Design Report and those presented in Table 11 of the same document.

Tables 10 and 11 contained within the Havant Thicket Concept Design Report highlight The capex costs of Options B4 and D2. Table 10 highlights the capex costs indexed to 2017/18 prices as being £451m for Option B4 and £261m for option D2. It also provides comparison to the capex costs for these options from the Gateway 1 report being £458m for Option B4 and £176m for Option D2. Table 11 provides

additional granularity to the capex values for Options B4 and D2 and shows the totals at current day prices as being £490.5m for Option B4 and £238.3m for Option D2. Please note that Table 11 is split across two pages. On the second page you can see the capex costs indexed to 2012/18 prices for both options. These match with the figures provided in Table 10. There is no difference between the indexed capex estimates in Table 10 and Table 11.

<b>Date of response to RAPID</b>	20/12/2021
<b>Strategic solution contact / responsible person</b>	[REDACTED] [REDACTED]