

## Annex B1 – Cost Assurance Narrative

### Introduction

As part of the ongoing development of the Sittingbourne Project, the Cost Intelligence Team (CIT)'s Estimating Team has produced cost estimate to support the proposed scheme. The cost estimate is based on scope information and data derived from the PR19/PR24 submissions, alongside updated design and technical inputs provided by SWS' Design Team (ETS and SWS' Professional Services Consultant, [REDACTED]).

The scope information was provided by SWS Design Team, initially and an updated scope was subsequently resubmitted reflecting the refinements and clarifications to the original scope submission.

The cost build-up is in-line with SWS' PR24 Methodology entitled "SRN15 Cost and Option Methodology".

CIT has undertaken reviews on the scope items to ensure that relevant yardstick and sizing information is available and correctly presented. CIT reviewed that scope items, matched the associated curves and models. Queries were sent out to ensure that the areas of mismatch and/or gaps were addressed from SWS Design Team.

Relevant scope and design information has been provided by SWS Design Team. There have been no detailed drawings on scope or design information. CIT is not responsible for the scope and associated yardstick or sizing information, as well as any gaps in scope or design information. CIT has not undertaken a scope validation exercise, but a high level review of the scope and raised queries to address any anomalies and/or gaps. As part of the cost estimation work, there has been no take offs from drawings by CIT.

The cost models and generated costs were validated and a sense check was applied to the outputs to address any further anomalies. Any further gaps were raised and doubled checked, as well as addressed with SWS Design Team.

### Summary Cost Breakdown

|                                                                                      |            |                     |
|--------------------------------------------------------------------------------------|------------|---------------------|
| <b>Blended Total Project Estimated Cost (Inc Corp OH for Price Review (PR) Only)</b> | [REDACTED] | % of Blended Totals |
| <b>Corporate OH</b>                                                                  | [REDACTED] | [REDACTED]          |
| <b>Blended Total Project Estimated Cost (Exc Corp OH)</b>                            | [REDACTED] | [REDACTED]          |
| <b>Total In-Direct Costs</b>                                                         | [REDACTED] | [REDACTED]          |
| <b>Contractor &amp; Client Indirect Costs</b>                                        | [REDACTED] | [REDACTED]          |
| <b>Sites Specifics and TtOR</b>                                                      | [REDACTED] | [REDACTED]          |
| <b>Net Direct Works Costs</b>                                                        | [REDACTED] | [REDACTED]          |

\* It should be noted that following SRN15 processes, total project cost percentages will exceed 100%. This is because the "Blended Total Project Estimated Cost (Exc Corp OH)" includes estimated indirect costs compared to the direct cost baseline (representing 100%).

### Net Direct Works

The base cost of the project includes all direct construction and delivery activities, such as:

- Civil, mechanical, and electrical works
- Installation of pipelines, treatment facilities, or infrastructure
- Materials, labour, and subcontractor costs
- Site preparation and enabling works

These components collectively form the Total Net Direct Works, which represents the base cost of the project, i.e., Cost Models and Bottom-Up Estimates and Quotations (inflated to 2022/23) undertaken by SWS CIT.

#### **Contractor and Client Indirect Costs**

Indirect Costs are applied to the Net Direct Works to account for:

- Site management and supervision
- Temporary works and facilities
- Design and engineering support
- Project controls and administration

These have been applied as a percentage uplift of 76.50% to the Net Direct Works.

#### **Blended Project Total**

This is the sum of Net Direct Works and Indirect Costs, representing the full cost of delivering the physical scope of the project.

#### **Risk Allowance**

A contingency or risk allowance is added to cover estimating and scope uncertainty. This has been calculated as 9.80% of the Blended Project Total, as per SWS' PR24 Methodology (as detailed above).

#### **Total (Excluding Corporate Overheads)**

This subtotal includes all costs required to deliver the project, excluding corporate-level costs.

- Net Direct Works
- Contractor & Client Indirect Costs
- Risk Allowance

#### **Corporate Overheads**

Corporate overheads are applied to cover:

- Head office support
- Governance and assurance
- Legal, finance, and HR functions
- Strategic management

These have been applied as a percentage uplift of 11.70% to the Total (Excluding Corporate Overheads).

#### **Total Project Cost**

The Total Project Cost includes all components:

- Net Direct Works
- Contractor & Client Indirect Costs
- Risk Allowance
- Corporate Overheads

This figure represents the full financial commitment required to deliver the project.

This estimate has been classified as being at Class 5 with the upper limit of [REDACTED] and lower limit of [REDACTED]. The percentage level of current cost confidence is based upon the current scope / design maturity which underpins the estimate.