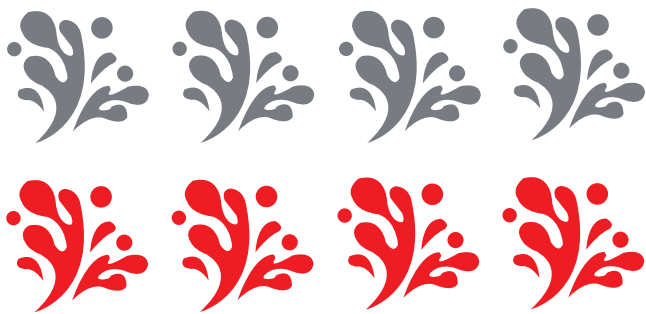


ROBUST BENCHMARKING PROVIDES EFFICIENCY INSIGHT FOR FIVE YEAR INVESTMENT PROGRAMME



£7.5bn of cost data

“By getting the estimating wrong the funding gaps can potentially be huge when dealing with multi-billion investment programmes, therefore we have built and implemented best in class estimating processes and procedures that are backed up by BenchH₂O.”

All UK water companies faced a considerable estimating challenge when pricing their five year capital investment programme for the next regulatory cycle.

Ofwat, the industry Regulator, sets price limits on what the water companies can charge their customers to ensure they represent best value, whilst still maintaining a sustainable service through improved efficiency. A key element to ensuring confidence is through informed cost data based on robust management information.

United Utilities appointed EC Harris to provide support in achieving regulatory compliance, confidence in the estimating process and submission costs, and above all to achieve assurance for the next five years of investment.

Creating solutions

To provide United Utilities with the required granularity in their price review submission, we mobilised an integrated team comprising our benchmarking centre of excellence, cost research specialists, management consultants and our local team of delivery experts.

Working with 10 out of the 12 UK Water PLCs, and drawing upon our international experience, we have developed a bespoke water industry benchmarking system, BenchH₂O. This incorporates water, wastewater, sludge treatment and networks, equating to 1,250 projects and £7.5 billion of cost data.

Having such a vast source of comparable data was fundamental in delivering the required solution for United Utilities as we were able to benchmark several elements of the client’s business, providing true insight into cost models and unlocking efficiency opportunities in their investment programme.

The functionality of Bench₂O provided the client with real-time benchmarking of cost plans, estimates, value engineering assumptions, target costs, resourcing and out-turn costs generating:

- Analytical insight of indirect cost for project management, construction management, construction preliminaries, design and risk
- Process unit direct cost models
- Tender rates for a multitude of civil, mechanical, electrical and process items, collected in a split bill format
- Target resource rates for labour, plant and material.

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By combining our robust data and water sector knowledge along with our detailed understanding of the regulatory process, we were unique in that we were able to provide in-depth analysis reports that were completed in extremely tight timescales. These predominantly focused on:

- Cost benchmarking - resource rates, unit costs and the full project anatomy analysis (a breakdown of the full cradle to grave total project cost)
- Independent cost base review
- The suitability of COPI as a price adjustment mechanism in the North West
- Specific regional cost variance impacting United Utilities in the North West.

Adding value

The insight we gave to United Utilities will enable them to make informed decisions to meet their corporate vision. We provided confidence in their cost models which underpinned their business plan and will help them understand their performance challenges in their final determination set by the Regulator.

By undertaking a '£ in the ground analysis' we were able to analyse the client's cost data for programmes of work and make comparisons against the national average. This identified trends and real opportunities to drive efficiencies and performance improvement in the investment programme.

We also linked this to project timescale analysis that focused the attention on areas of efficiency in the 'cost to serve' elements (the equivalent costs for effective implementation). Upon completion of these activities we also carried out a strategic exercise to identify 19 outperformance opportunities for United Utilities for the next regulatory cycle. The integration of these activities will maximise the return on investment during their five year investment programme.

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