

Gate three query process

Strategic solution(s)	SESRO
Query number	SER021 version 2
Date sent to company	15/10/2025
Response due by	17/10/2025

Query

This query is a follow up to your response to query SER010.

- On 13 January 2025, you wrote to RAPID requesting additional Gate 3 expenditure. In subsequent engagement in February it was highlighted to RAPID the need to undertake some Gate 4 activities early, forecasted to cost £28.4m. However, in your efficiency of expenditure submission, 'Early Gate 4' expenditure is equal to £7.2m.

Please explain why your actual outturn is significantly lower than what you were forecasting to spend?

- In addition to this, the recent blind year reconciliation model that were submitted to us in July 2025, accounts for expenditure until the end of March 2025 (end of the AMP7 period).

In your model, there is an input of is £2.385m against the Gate Four expenditure cell. However, during the engagement mentioned above, it was stated that Early Gate 4 activities would not take place until April onwards (the AMP8 period).

Please explain the inconsistency between your blind year reconciliation model inputs and what was said to RAPID during engagement in February.

1. In your letter dated 13 January 2025, you requested £31.7m of additional expenditure which was referred to as 'Enhanced Gate 3' spend. RAPID agreed to this additional Gate 3 expenditure with the caveat that this expenditure would be subject to an efficiency of expenditure evaluation as part of the Gate 3 assessment.

It is not clear from your current efficiency of expenditure submission which activities are considered as 'Enhanced Gate 3'.

Please repopulate the efficiency of expenditure template to also show the activities that are classed as 'Enhanced Gate 3' expenditure.

Solution owner response

In our Letter of 13 January 2025, we outlined a request to spend more on Gate 3 activities than we had previously forecast. Key assumptions detailed in this letter were confirmed with RAPID on 29 November 2024 and included:

- As agreed with RAPID, there will be a Gate 3 checkpoint in February 2025 with the full Gate 3 submitted and published in Summer 2025 to align and provide consistency with the WRMP annual review.
- Spend to Gate 3 checkpoint will be within the cumulative Gate 3 funding allowance of £73M (when deflated to 17/18 prices).

The purpose of the January letter was to agree with RAPID the most efficient way to progress and continue to de-risk the programme when we faced delays to the formal Gate 3 submission. As the work on the programme continued while we finalised documentation, the approach we agreed with RAPID was to continue activity that may not necessarily inform the Gate 3 report but will be required further into the programme.

As there was a gap between the Gate 3 checkpoint in February and full Gate 3 submission in the Summer 2025, we accounted for the costs incurred in the period following the approach agreed with RAPID. Those costs were partly what we outlined to RAPID in our letter and new activity required for the continuation of the programme.

Using Gate 3 checkpoint in February as a point in time to assess Gate 3 costs would have presented us with a cumulative G1-3 cost of £67.6m (in 17/18 prices) – a £5.4m underspend when compared with the aforementioned cumulative Gate 1-3 funding allowance of £73m. As we have not completed all the activities

previously agreed with RAPID by the checkpoint, we used this underspend to continue with our work into March 2025. As such we apportioned post Gate 3 checkpoint costs incurred in the month of March 2025 (£10.0m in 24/25 prices) and (£7.8m in 17/18 prices) as follows:

- £5.4m (in 17/18 prices) was classified as Gate 3 costs.
- The residual £2.4m (in 17/18 prices, or £2.8m in 22/23 prices) was classed as Gate 4 costs (or “early gate 4”) and formed part of our Gate 4 Forecast.

Responses to the specific queries raised follow:

Query: Please explain why your actual outturn is significantly lower than what you were forecasting to spend?

Response: The difference is due to the treatment of costs incurred past the Gate 3 checkpoint. As outlined in our introduction we spent less than the cumulative Gate 1-3 funding allowance up to the Gate 3 checkpoint. However, as we continued with the activities previously agreed with RAPID into March, we classed some of that expenditure incurred post checkpoint as Gate 3. The classification of £7.2m (17/18 prices) of costs as ‘Early gate 4’ is an error which we will correct as these costs were considered as Gate 3. Early Gate 4 costs, as outlined above, came up to £2.8m (22/23 prices).

Query: Please explain the inconsistency between your blind year reconciliation model inputs and what was said to RAPID during engagement in February.

Response: our blind year reconciliation model inputs are consistent with the key assumptions set out in our letter and agreed with RAPID, as summarised in our introduction. The blind year reconciliation is consistent with our Efficiency of Expenditure submission in that it considers £2.4m (17/18 prices) of expenditure in AMP7 as Gate 4 costs (or “early gate 4”).

Query: Please repopulate the efficiency of expenditure template to also show the activities that are classed as 'Enhanced Gate 3' expenditure.

Response: All activities that were classed as ‘Enhanced Gate 3’ in the letter are accounted for as Gate 3 in the efficiency of expenditure template. There is no clear way to report these activities in the template. However, for reference, we include below the list of activities agreed with RAPID along with the time period we incurred the cost and how they were treated in the template:

Date of response to RAPID	22/10/2025
Strategic solution contact / responsible person	