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## Defra Group Management Consultancy Call off Contract: Project Engagement Letter

Completed forms and any queries should be directed to Defra Group Commercial (DgC) at [REDACTED]. Please do not complete this form until you have liaised with DgC, and they have allocated you a lot to access Consultancies within and subsequent reference number.

Engagement details					
Engagement ref #	DPEL_61540_017				
Extension?	N	DPEL Ref.	N/A		
Business Area	Floods & Water				
Programme / Project	Water Reuse regulations				
Senior Responsible Officer	[REDACTED]				
Supplier	KPMG				
Title	Consultation on regulation changes for water reuse systems				
Short description	Stakeholder engagement with water companies, regulator and devolved administrations on water reuse systems. [REDACTED]				
Engagement start / end date	Proposed start date 14/02/2024	Proposed end date 26/03/2024			
Consultancy Spend approval reference	N/A				
Expected costs 23/24	£ £93,058 (excluding VAT)				
Expected costs 24/25	N/A				
Expected costs 25/26	N/A				
Dept. PO reference	Dept. PO reference # (to allow for Defra Group recharge)				
Lot #	Lot 1				
Version #	0.3				

### Approval of Project Engagement Letter

By signing and returning this cover note, Floods & Water accepts the contents of this Project Engagement Letter as being the services required and agrees for KPMG to provide the services in accordance with the agreed Supplier Proposal under the overarching contract (Lot 1 - [REDACTED]), with Defra Group and confirms the availability of funding to support recharge for the services.



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Signatures		
Supplier	Business Area	Defra Group Commercial
signed on behalf of the Supplier	signed on behalf of the	signed on behalf of the
By: _____ <i>Signature</i>	By: _____ <i>Signature</i>	By: _____ <i>Signature</i>
or and on behalf of KPMG	For and on behalf of DEFRA Floods & Water	Defra Group Commercial
_____	_____	_____
Supplier engages with Business Area to complete. Once agreed, Supplier signs front page and sends to Business Area	Business Area signs front page and sends to DgC	On approval, DgC signs and returns copy to Business Area and Supplier

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### General Instructions

The Engagement Letter describes the services required and provided. When completing the Engagement Letter establish the context, explain why external support is required and distinguish between the objectives, outcomes, scope and deliverables. The rationale behind the costs should be made evident in the Fees section.

*The Business Area considerations* are guidance notes for the customer to support their evaluation of the Engagement Letter.

## 1. Background



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In the Plan for Water (2023), Defra committed to developing guidance on water positive development, including how water can be reused to increase water efficiency.

Currently, water reuse systems can only run under the Private Water Supply regulations. This is because regulations specify that water for 'domestic purposes' (including things like toilet flushing) must be 'wholesome' if supplied by a water company. The Drinking Water Inspectorate (DWI) are responsible for ensuring this water quality is met, and have therefore requested dual pipe systems (such as the one at North West Cambridge Development Eddington) is turned off and not currently used.

Defra is building an evidence base for making changes to the Water Industry Act (1991) and Water Supply (Water Quality) Regulations (2016) to enable greywater reuse and rainwater harvesting that can be managed by water companies in new developments.

Changing these regulations will require secondary legislation to allow water companies to supply and operate dual pipe water reuse systems, whilst ensuring that public health is adequately protected. As such, Defra plans to run a targeted public consultation on dual pipe water reuse systems, which will play an important role in the evidence gathering process for this policy and guiding the ongoing work in this area.

Whilst this proposed regulation change would only be applicable for England, we plan to work with Devolved Administrations to help facilitate similar legislation change within the devolved nations as well.

Consultancy support will be crucial to meeting tight deadlines, in particular to organize and facilitate a stakeholder engagement exercise to inform the way that Defra drafts the consultation, and ensure the best quality evidence is gathered through the consultation to inform the policy.

## 2. Statement of services

### Objectives and outcomes to be achieved.

Organisation, facilitation and reporting a stakeholder engagement exercise, particularly with developers and/or water management organisations, water companies and the Drinking Water Inspectorate (DWI) should take place to provide feedback on water reuse systems and provide additional information for the draft consultation.

Resources, including the latest DWI report on dual pipes for water reuse, should be used to inform the stakeholder engagement exercise.

Different standards of water quality for water reuse should be considered. Water quality options should be tested with stakeholders.

Engagement with Devolved Administrations, ensuring they are aware of this work and have an opportunity to participate in the stakeholder engagement.

### Scope

#### Requirements

Stakeholder engagement



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- Engagement should take place with developers, water companies, DWI, devolved administrations and other interested parties.
- Engagement should include developers hoping to build in water scarce areas, and water companies that manage areas deemed to be water scarce by the Environment Agency.
- Engagement should include discussion on options for water quality standards for water reuse.
- Engagement should be conducted to encourage honesty and open feedback.
- Engagement responses should contribute to the draft consultation.
- All stakeholder engagement should take place before the draft consultation is completed.

#### Devolved Administrations (DA) engagement:

- Engagement with relevant contacts in the DA governments.
- DAs should be given the opportunity to feedback on the proposed legislation changes, including water quality standards.
- Information on the proposed legislation change should be shared with the DAs, providing helpful information for equivalent legislation changes in their nations.
- Any issues with changing the legislation in England only should be considered.

#### Scope of Activities

The consultant should plan and undertake a total of up to 20 interviews, according to the availability of the relevant SMEs in each selected organisation. The organisations and individual SMEs to be targeted will be specified by Defra upon project commencement. It is anticipated that the following range and mixture of organisations will be specified:

- i. the **Drinking Water Inspectorate** (DWI);
- ii. a sample of approximately eight to ten **water companies**, including both 'water only' and 'water and wastewater' companies that manage areas deemed to be water scarce by the Environment Agency;
- iii. a sample of two to four **water treatment companies**;
- iv. a sample of two to four **residential developers** hoping to build in water scarce areas;
- v. The **Devolved Administrations** (DAs) in Scotland, Wales, and Northern Ireland to provide them with an opportunity to feedback on the proposed legislation changes, including water quality standards. This will help identify any issues with changing the legislation in England only.

The following activities are to be undertaken:

- develop a standard interview script for each of the five stakeholder groups set out above. This will cover a comprehensive set of questions relevant both to drafting the legislation, including options for water quality standards for water reuse, and to wider barriers to the operation of water re-use systems, which Defra will specify upon commencement;
- contact each SME in the target organisations to schedule a one-hour interview;
- share information on the proposed legislation change with the DAs, providing helpful information for equivalent legislation changes in their nations.
- prepare for and lead each stakeholder interview. We will conduct the interviews in a way that encourages honesty and open feedback;
- make a detailed written record of the responses.

#### **Assumptions and dependencies**

##### Assumptions

- There is sufficient support for water reuse systems in new developments, from the DWI, developers, and water companies, particularly in areas deemed water scarce by the Environment Agency.
- The stakeholder engagement and subsequent consultation will be focused on experts rather than the general public.



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#### Dependencies

- Impact Assessment/s will need to be carried out for any legislative change to take place.

#### Risk management

- In depth stakeholder engagement may not be possible in the timeframe given.
  - Mitigation – Defra can provide contacts to stakeholders and provide introductions, who will already be aware that Defra is conducting work in this area.
  - Mitigation – stakeholders should be encouraged to respond to the consultation to provide additional feedback.
- Devolved Administrations may not have capacity or resources to sufficiently engage with this policy in the timeframe.
  - Mitigation – Defra can provide contacts to DA and provide introductions.
  - Mitigation – DA officials should be encouraged to respond to the consultation to provide additional feedback.
- Due to conflicts of interests, the supplier cannot draft the questions to ask the stakeholders, or decide which stakeholders are approached.
  - Mitigation – Defra will draft the questions and decide which stakeholders to approach.

#### Deliverables

##### Requirements

- Summary notes of stakeholder engagement, which Defra can use as evidence for any future regulation change on water reuse.
- Summary notes of engagement with Devolved Administrations, which Defra can use to continue work on this policy.
- Details of all stakeholders approached (subject to stakeholder permission).
- Details of all Devolved Administration contacts approached.
- A detailed note of all interviews conducted during the stakeholder engagement exercise
- A full list of references used during the stakeholder engagement.
- A separate interim and final note setting out the responses to questions on barriers to operating water reuse systems, other than the existing water supply legislation.

The timeline for the deliverables set out below depends on the commission commencing in w/c 12<sup>th</sup> February 2024, with Defra making available upon commencement:

- appropriate briefing material for KPMG, covering the need, proposed changes and anticipated key issues, together with a briefing session;
- a list of all organisations and individual SMEs to be interviewed and their contact details;
- a comprehensive set of questions to be posed to interviewees, including any details of variations in questions for different types of stakeholder organisation.

##### Outputs

The following outputs will be delivered. They are expected to inform Defra's drafting of a government consultation report:

- an initial set of unbranded notes setting out detailed summaries of responses to questions on barriers to operating water reuse systems, other than the Water Supply regulations. This will cover interviews conducted by the approximate mid-point of the work programme, with the delivery date to be agreed with the client;
- an unbranded final report by 26<sup>th</sup> March 2024, setting out:
  - summaries of each interview, including the remaining responses to questions on barriers to operating water reuse systems other than the Water Supply regulations;





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- a detailed note of each interview;
- a set of recommended questions to be considered by Defra in drafting the consultation report, reflecting the key issues emerging from the stakeholder interviews.
- A list of references used during the stakeholder engagement
- Details of all stakeholders approached (subject to permission)
- Details of a DA contacts approached.

The responses will not be reported in a way that identifies individual SMEs or individual water companies, water treatment companies and developers, but will state the type of organisation, e.g., "Water Company 1", "Water Treatment Company 1", "Developer 1", etc in the summaries and detailed notes of interviews. We will, however, report the responses from the Devolved Administrations in a way that identifies them in each of the summaries and detailed notes of the interviews we had with them.

Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)
Stakeholder Engagement	<ul style="list-style-type: none"> <li>• Supplier to establish contact with all listed groups of stakeholders.</li> <li>• Engage with all listed groups of stakeholders, gaining insightful responses that will positively contribute to the draft consultation.</li> <li>• Useful summary notes and detailed note of conversation provided.</li> <li>• Questions to support Defra draft consultation paper reflect key emerging themes from the stakeholder engagement exercise.</li> <li>• Final note of responses to questions on barriers other than existing water supply legislation.</li> </ul>	26/03/2024	
	<ul style="list-style-type: none"> <li>• Separate interim note of responses to questions on barriers other than existing water supply legislation.</li> </ul>	11/03/2024	
<b>Internal Capability Development Outcomes</b>			
<b>Social Value Outcomes</b>			



Deliverable	Success Criteria	Milestone / Date	Owner (who in the delivery team?)

Limitations on scope and change control

Unless instructions to the Supplier are later amended in writing, the work undertaken will be restricted to that set out above. In providing the services detailed above, the Supplier will be acting in reliance on information provided by the Business Area.

The Project Engagement Letter is the agreed contract of work between the Defra Group Business Area and the Supplier and can be varied under the change control process. Any changes to timescales, scope and costs will require approval by DgC.

3. Delivery team

Name	Role (link to stage/s resource will work on)	Grade	Daily rate	# of days	Cost

Total resource	<div>Total days*Engagement Length**</div>	<div></div>
*Total days worked across all resources **Total working days in engagement		

Business Area's team




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#### 4. Fees

Defra Group will reimburse the Supplier for approved work done according to the table below. The total fees for the scope of work detailed in this Engagement Letter will be £93,058, inclusive of expenses and excluding VAT.

Stage	Cost	Due (link to milestone dates)
		DD/MM/YY
<b>Expenses</b>		
None	£0	
<b>Grand total</b>	£93,058	26/03/2024

##### *Business Area considerations:*

- Are the costs and fees appropriate (costs linked to deliverables, rates and drive value for money)?

#### Expenses statement

Defra Group overarching contract rates include expenses for any travel to/from any UK location defined by the Business Area as the base office for the work. Only expenses for travel at the Business Area's request from this base can be charged. If appropriate, define permissible expenses to be charged.

#### Payment

The Supplier should invoice fees monthly in arrears. Defra Group will reimburse fees monthly on confirmation of approval of work delivered by the Business Area. The Supplier will keep an accurate record of time spent by staff in providing the services and provide this information and supporting narrative, if requested.

#### 5. Governance and reporting

Business Area to outline governance and report requirements.

As part of the Call-Off Contract, the Supplier and Business Area agree to provide reporting on the following:

- Completion of the time tracker on a weekly basis, to track days worked by our consultants.
- Weekly check-ins (either via email or calls) to check project is on track and discuss any risk mitigation.

#### Key Performance Indicators

Business Area and Supplier to agree any specific key performance indicators related to this specific project engagement.





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KPI	KPI Requirement	Description	Reporting Frequency	Who Measures	Method of Measurement	Performance Target

### Feedback and satisfaction

Business Area and Supplier to agree regular reporting intervals for the duration of the engagement.

Defra Group reserves the right to hold review meetings during the assignment, discussing what went well, opportunities for improvement on future assignments and similar. This will incorporate any 'Show and Tell' documentation or transferable products that have been produced.

A post-engagement quality review of the engagement will be arranged where the Business Area rates the services provided.

### Non-disclosure agreements

The overarching MCF2 framework include NDAs. Insert any additional NDA requirements here.

## 6. Exit management

The agreed actions and deliverables by the Supplier for when the contract ends are as follows:

- Summary notes of stakeholder engagement, which Defra can use as evidence for any future regulation change on water reuse.
- Summary notes of engagement with Devolved Administrations, which Defra can use to continue work on this policy.
- Details of all stakeholders approached (subject to stakeholder permission).
- Details of all Devolved Administration contacts approached.
- A detailed note of all interviews conducted during the stakeholder engagement exercise.
- A full list of references used during the stakeholder engagement and drafting the consultation.
- A separate interim and final note setting out the responses to questions on barriers to operating water reuse systems, other than the existing water supply legislation.

### Notice period

The nature of these engagements require that Defra Group have the ability to terminate an engagement with notice. Defra Group's termination rights for this engagement are marked below.

The minimum notice period for termination is 5 working days regardless of engagement duration.



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1. Business Area identifies a potential need for delivery support, initiates a conversation with DgC, confirms which approvals are required for an engagement to occur, e.g. Consultancy Governance Board if over £100k or DgC Corporate Services Delivery Board if under £100k.
2. Request Form completed by Business Area and submitted to DgC at:  
[REDACTED]
3. The form is reviewed by the DgC team around which resource route is most appropriate (e.g. Lots 1/2/3) and may request additional information/edits from the Business Area if required.
4. Lot / Supplier is selected and briefed on the request by DgC, then introduced to the requesting Business Area for further discussion and confirmation of work to be delivered
5. A Project Engagement Letter is completed by the Business Area with input from the Supplier (with supporting proposals as appropriate) and then finally agreed between the two parties, including evidence of all required approvals either being in place or being progressed (e.g. PO) and forwarded to the DgC for review by the Consultancy Governance Board (CGB). Approval states are:

Approval state	Definition	Permissions
Full approval	<ul style="list-style-type: none"> <li>▪ DPEL agreed</li> <li>▪ DPEL signed: Supplier, Dept and CO</li> <li>▪ Purchase Order number</li> </ul>	<ul style="list-style-type: none"> <li>▪ Work can start</li> <li>▪ Supplier can invoice for work</li> </ul>

