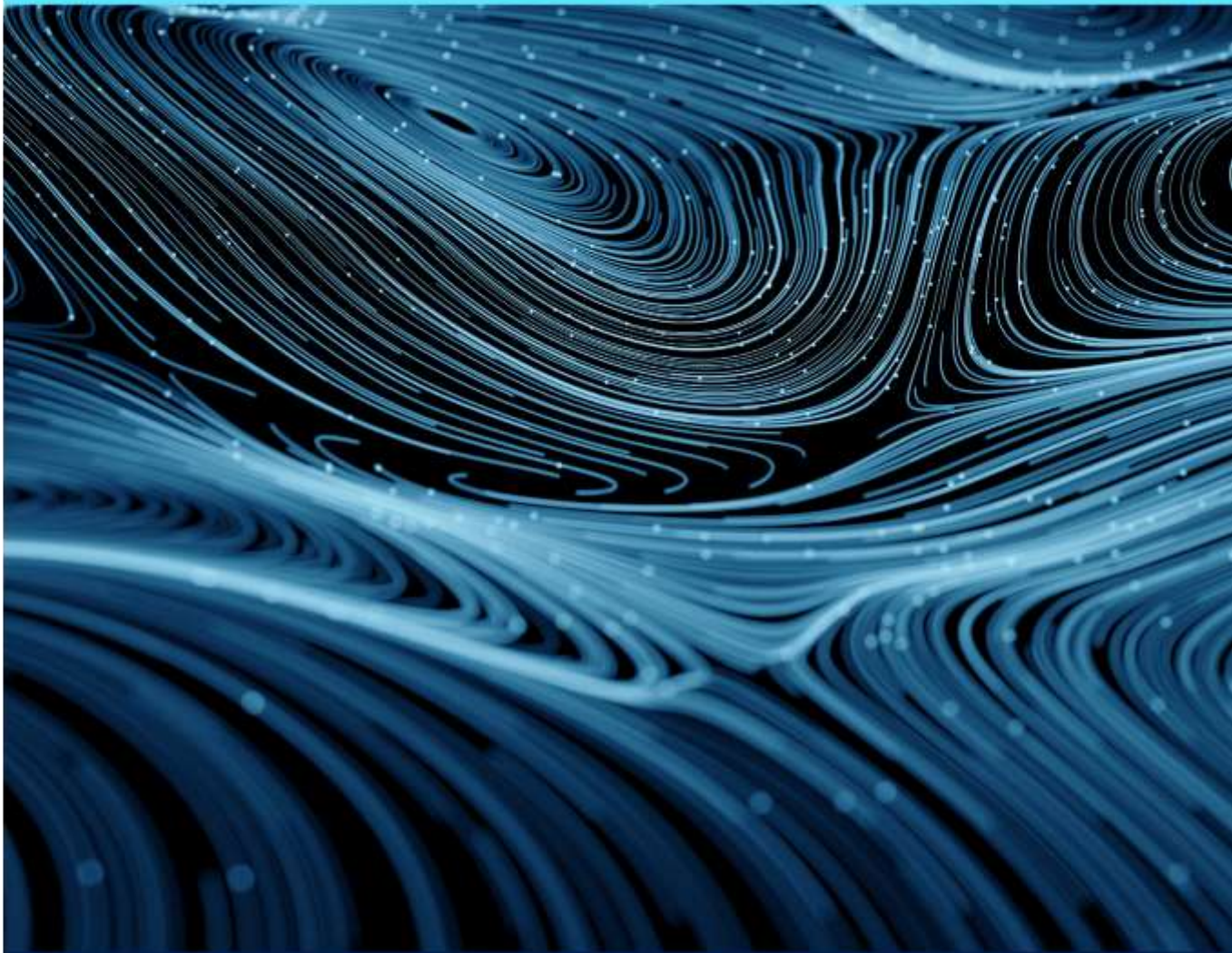




Large Gated Schemes – Sandown Water Treatment Works (WTW)

Independent Assurance Report

Revision: 3.0
Southern Water
Technical Assurance

Jacobs

Challenging today.
Reinventing tomorrow.

Large Gated Schemes –
Sandown Water Treatment Works (WTW)

Client name: Southern Water **Project no:** B2430117

Project name: Technical Assurance **Project manager:** Trudy Maddock

Revision: 3.0

Date: 30 September 2025

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
1.0	19/09/2025	Draft	AFH/WPH	SDB	YZ	\
2.0	25/09/2025	Updated draft – respond to SRN's comments	AFH/WPH	SDB	YZ	TM
2.1	29/09/2025	Final Updated draft	WPH	YZ	SAW	\
3.0	30/09/2025	Final	AFH/WPH	YZ	SDB	TM

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This assurance was completed in accordance with the ISAE 3000 (Revised) standard including following ethical and quality requirements.



Attention: Southern Water board

Introduction

Large Schemes are those enhancement schemes within the investment programme where the requested value is greater than £100 million, and where Ofwat has concerns around scope, cost, deliverability, complexity, or if schemes involve novel elements or complex technologies.

For the 2025-2030 period Ofwat requires independent third-party assurance for delivery of enhancement schemes, confirming that companies are using the enhancement allowances to deliver the benefits that customers are paying for.

Jacobs have been requested to undertake technical assurance to cover the engineering element of the submissions and provide a view on the robustness of the investment proposal based on clear engineering rationale and the extent to which it is supported by sufficient and convincing evidence.

Scope of Work and Approach

This assurance report provides the conclusions from the work specified in our Statement of Work, Southern Water Services - Statement of work- Large Gated Schemes v2, issued on 4 August 2025.

This limited assurance was performed in accordance with the ISAE 3000 (Revised) standard, and was undertaken with the following limitations:

- A risk-based approach was implemented.
- A limited sample was assessed.

This limited assurance was performed in accordance with the ISAE 3000 (Revised) standard.

Lead Assurer's Curriculum Vitae (CV) is included in the Overarching Report.

Assurance Standards Applied

We conducted our limited assurance in accordance with the International Standard on Assurance Engagements (UK) 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information ("ISAE (UK) 3000 revised"). The Standard requires that we obtain sufficient, appropriate evidence on which to base our conclusion.

Duty of Care

Ofwat has introduced a new requirement in regard to duty of care where they expect the third-party assurance providers, such as Jacobs, to provide an actionable duty of care to Ofwat.

To ensure compliance with Ofwat's new requirements we have issued a Letter of Reliance on 12th August 2025 which covers our assurance work on the Large Gated Schemes.

Conflict of Interest

In line with Ofwat's AMP8 requirements, we have proactively managed both real and perceived conflicts of interest in collaboration with your Regulation team. All audit team members signed a declaration before the audit programme began and have completed conflict of interest training. These declarations were recorded in our register. This year, we identified no actual or perceived conflicts.



Assurer Statement

Overall, based on our scope of work and the limited assurance undertaken, we did not find any material misstatement.

We consider that:

- The Company has considered a range of options for PR24. The evidence provided shows that a number of options have been considered using SRN's R&V process.
- The Company has undertaken engagement with Stakeholders. There is evidence of engagement with key stakeholders including Environmental Agency, Consumer Council for Water and Local Authorities.
- The Company has provided cost benefit analysis to demonstrate selection of the most cost beneficial/effective solution. The lowest whole life cost solution was not selected, however justification is provided to demonstrate it is based on Section 20 / WRMP risk reduction considerations.
- The Company has presented the same solution to that which was originally proposed for PR24 which was the most cost beneficial/effective solution.
- The proposed solution identified in the PR24 business plan to provide 8.5ML/d of new water from a new water recycling plant on the Isle of Wight will address the risk identified.
- A change log is not provided as the Company confirms that there are no material changes at Submission 1.
- An assessment of key risks has been undertaken and evidenced in the risk register, which includes pre and post mitigation scores and costs.

Summary of Key Findings

Key Findings

The assurance was undertaken through the Microsoft Teams sessions combined with offline reviews. Key findings listed below are based on our review of SRN's final documentation provided on 17th September 2025 and the additional information provided by 26th September 2025 - documents reviewed are listed in Appendix A:

- The company has used the PR24 figures and state that there is no material change to the scheme.
- Cost Benefit Analysis (CBA) was undertaken by SRN to inform optioneering and preferred option selection. A preferred option has been selected though this is not the lowest whole life cost. A Management of Value (MoV) study was undertaken to support the Risk and Value (R&V) outcome.
- A full CBA based on whole life cost (including opex and benefits) will be required for Submission 2. Justification for preferred solution decision based on level of risk reduction to meet Section 20 agreement.
- A high-level programme only has been provided. A more detailed programme should be developed, with focus on period between Submissions 1 and 2. It is proposed that construction will commence and be completed within AMP8, though commissioning not complete until September 2031
- It has not been possible to determine if the project is on track. SRN has stated; 'Our project plan in Section 5 confirms completion of our preferred option (1A) is possible, provided currently identified risks and issues can be mitigated. The LSG submission 2 will confirm this cost and schedule position accordingly.' Programme to be provided at Submission 2 to include level of detail sufficient to ascertain if scheme is on track to meet programme

- Risks were considered within the submission. The risk methodology has been requested together with the detailed risk assessment. We are aware that information provided in section 5.2 of Submission 1 and the appendix is sufficiently detailed but not the risk methodology. Unmitigated costs from the Risk Register were used in cost buildup. It is recommended that these costs be updated to P50 costs using risk modelling approach for Submission 2.
- Project documentation that is required for Submission 1, i.e. Solution workbook. decision log at each stage of the design process, outline design report / documents related to the preferred solution will be provided for Submission 2.
- Information about construction activities (such as scoping, detailed design, planning route etc) for the programme is not detailed at this stage. Submission 2 to include the level of detail (not summary/rolled up) necessary to support detailed activities.
- A change log is not provided as the company confirms that there are no material changes at Submission 1.
- It is not possible to provide a view on the robustness of the investment proposal as insufficient documentary evidence was available.
- Overall, the approach taken by SRN in preparing Submission 1 is considered positive and the scheme is well progressed at this stage.
- SRN confirmed on 26/09/2025 that a full governance review of the scheme will be completed prior to the submission.

SD Brown

Steve Brown

Lead Assurer



Appendix A. Record of Evidence Reviewed

1. Sandown - Large Scheme Gated Submission 3.0 Jacobs 15.09.25.docx
2. MoV output report DraftA.docx
3. Sandown MoV Value Study DraftA2.1.xlsx
4. Sandown WRP - Cost Build-Up Excel Sheets R3.1.zip
5. Sandown WRP Risk_Register_Summary (1).xls
6. Signed SWS and EA Section 20 Operating Agreement dated 29 03 18.pdf
7. WfLH Stakeholder Group Feb 2024.pdf
8. Sandown R&V 3.2 - Attendance report 5-11-23 (1).txt
9. Sandown EBL AJM Sketch.pdf
10. 710023-Sandown IPR-RV3.2 Presentation REV 5.pptx
11. R&V 3.2 Pack Contents.xlsx
12. Sandown IPR Options ARM Risk Mitigation Scoring.xlsx
13. Sandown RV3.2 Actions.pptx
14. 710023 - Sandown - Aug 25 Programme Draft Rev 1.pdf
15. 710023-Sandown IPR-RV3.2 Presentation REV 5.pptx
16. Sandown Estimate for WRP June 2024 - Scope and Values.xlsm
17. Sandown MoV Value Study DraftA2.1.xlsx
18. Sandown Slide Deck.pptx
19. SRN-DDR-028 - Appendix B - PR24-CIT-0350 Sandown WRP June 2024 OutPut Report - Summary.pdf
20. LSG Intro to SLM, Sittingbourne and Sandown.pptx
21. RE_ LSG Ofwat Meeting on Sittingbourne_ SLM and Sandown.msg

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