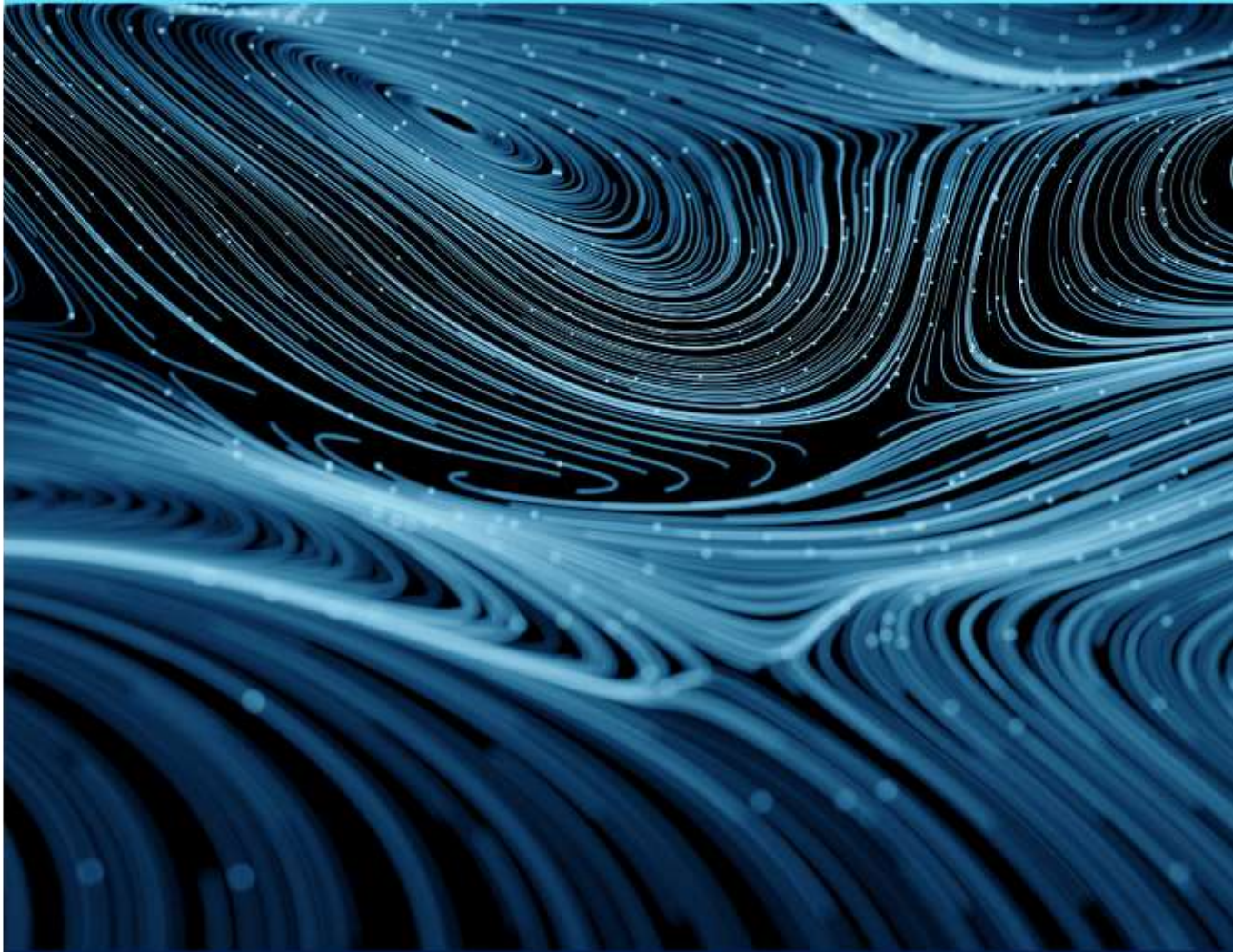




Large Gated Schemes – Sandown Water Treatment Works (WTW)

Independent Assurance Report

Revision: 3.0
Southern Water
Commercial Assurance

Jacobs

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Reinventing tomorrow.

Large Gated Schemes – Sandown Water Treatment Works (WTW)

Client name: Southern Water

Project no: B2430117

Project name: Commercial 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	SAW	SDB	YZ	\
2.0	25/09/2025	Updated draft – respond to SRN's comments	SDB	YZ	YZ	TM
2.1	26/09/2025	Updated draft – respond to SRN's comments	SAW	YZ	YZ	TM
2.2	29/09/2025	Final Updated Draft	SAW	YZ	WPH	\
3.0	30/09/2025	Final	SAW	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 commercial assurance to cover changes in cost (if any) proposed from PR24 business plan submissions and clearly identify the reasons for these changes.

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.

The assurance work 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 Risk and Assurance 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 up to the time of writing this report, we did not find any material misstatement.

We consider that:

- The values and figures reported by the company are consistent and correct with what was reported in the company's PR24 business plan.
- The solution proposed for Submission 1 does not appear to exceed the specified requirements and/or provide poorer value for money than that proposed at Final Determination.
- CBA has been undertaken and appraised appropriately on options presented for PR19 and the costs were then refreshed for PR24. This evaluated the options across financial, operational, and environmental dimensions as well as Strategic Drivers.
- SRN have presented the external benchmark as evidence of efficient costing. The benchmark was completed for direct costs only (excluding indirects and risk) and this showed the SRN estimate to be 4% higher than the benchmark (with quotations included at face value) which is acceptable. It is clear how the company have developed the detailed scope build up.
- The company has provided a cost breakdown of costs to Submission 1. Actual costs are included up to end August 2025 with costs for September being forecast. Costs have been converted to 22/23 prices. Cost buildup provided for Submission 2 based on delivery partner activities and includes an appropriate level of risk and overhead.
- The proposed solutions have been reviewed and no additional scope, costs or risk above that identified in the PR24 plan are proposed for Submission 1. SRN confirmed they are not submitting a Change Log.

Summary of Key Findings

The assurance was undertaken through 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/or the additional information provided by 26th September 2025 - documents reviewed are listed in Appendix A:

- Cost and other commercial data has been supplied in a format that can be read in Excel with linked data and no hard coded values.
- Project costs have been externally benchmarked. The costs are within acceptable tolerances and in our opinion an additional anomaly and exclusion report is not required.
- Cost Benefit Analysis (CBA) of options appears to have been appraised appropriately using CAPEX, OPEX and Environmental drivers.
- The values and figures reported by SRN are consistent and correct with what was reported in the company's PR24 business plan and/or the previous gate and no changes are accounted for in the change management log. Delivery Plan figures in Table DPW4 do not align with the costs presented for LSG Submission 1. SRN have stated that these figures will be resubmitted as part of Submission 1
- There are no areas where SRN is proposing to use solutions which exceed the specified requirements or provide poorer value for money.
- The proposed solutions have been reviewed and no additional scope, costs or risk above that identified in the PR24 plan and/or the previously agreed gate are proposed for Submission 1. SRN confirmed they are not submitting a Change Log which is acceptable.

- This project is at ECI stage. SRN have provided a risk register which has been costed and risk owners and mitigation are noted. There have been no risks transferred since previous stage to the Contractor and this seems appropriate given the stage of the project.
- The development cost (actual and forecast) to March 2026 is projecting an underspend compared to the available budget allowance in 22/23 prices. A detailed cost buildup was provided for Submission 2 with an appropriate allocation of risk included. SRN have confirmed overheads are included in the buildup but these are not evidenced.
- Throughout our reviews, some material issues were identified but these have been resolved.

SD Brown

Steve Brown

Lead Assurer

Appendix A. Record of Evidence Reviewed

List of all documents reviewed as part of the audit:

Name	Description
<u>Sandown - Large Scheme Gated Submission 3.0 Jacobs 15.09.25.docx</u>	30 page Submission
<u>A8-0129-710023 - Sandown WwTW WRP R3.1 MJ.pdf</u>	Detailed cost buildup - pdf
<u>A8-0129-710023 - Sandown WwTW WRP R3.1 MJ.xlsm</u>	Detailed cost buildup - Excel
<u>Large Scheme Gated Submission V2 - Indexed to 22-23 Prices.xlsb</u>	Submission1 and Submission 2 cost buildup v2
<u>Sandown WRP Risk Register Summary (1).xls</u>	Costed Risk Register
<u>Sandown Report_v2 - 120925.docx</u>	Benchmarking report
<u>Sandown WwTW - Cost Build Up Outline Methodology R4.1.pdf</u>	Costing Methodology
<u>710023-SWS-XX-XX-BC-DM-00001.xlsx</u>	Original CBA
<u>710023 - Sandown - Aug 25 Programme Draft Rev 1.pdf</u>	Project Programme
Large Scheme Gated Submission V4 - Indexed to 22-23 Prices	Submission1 and Submission 2 cost buildup v4

Supporting Documents

Name
20250811 Final Draft Delivery Plan Tables v2.0.xlsx
SRN-DP-001 Delivery Plan Commentary Report.pdf
<u>SRN15 Cost and Option Methodology¹</u>

¹ https://www.southernwater.co.uk/media/mjyp0of4/srn15-cost-and-option-methodology_redacted.pdf

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