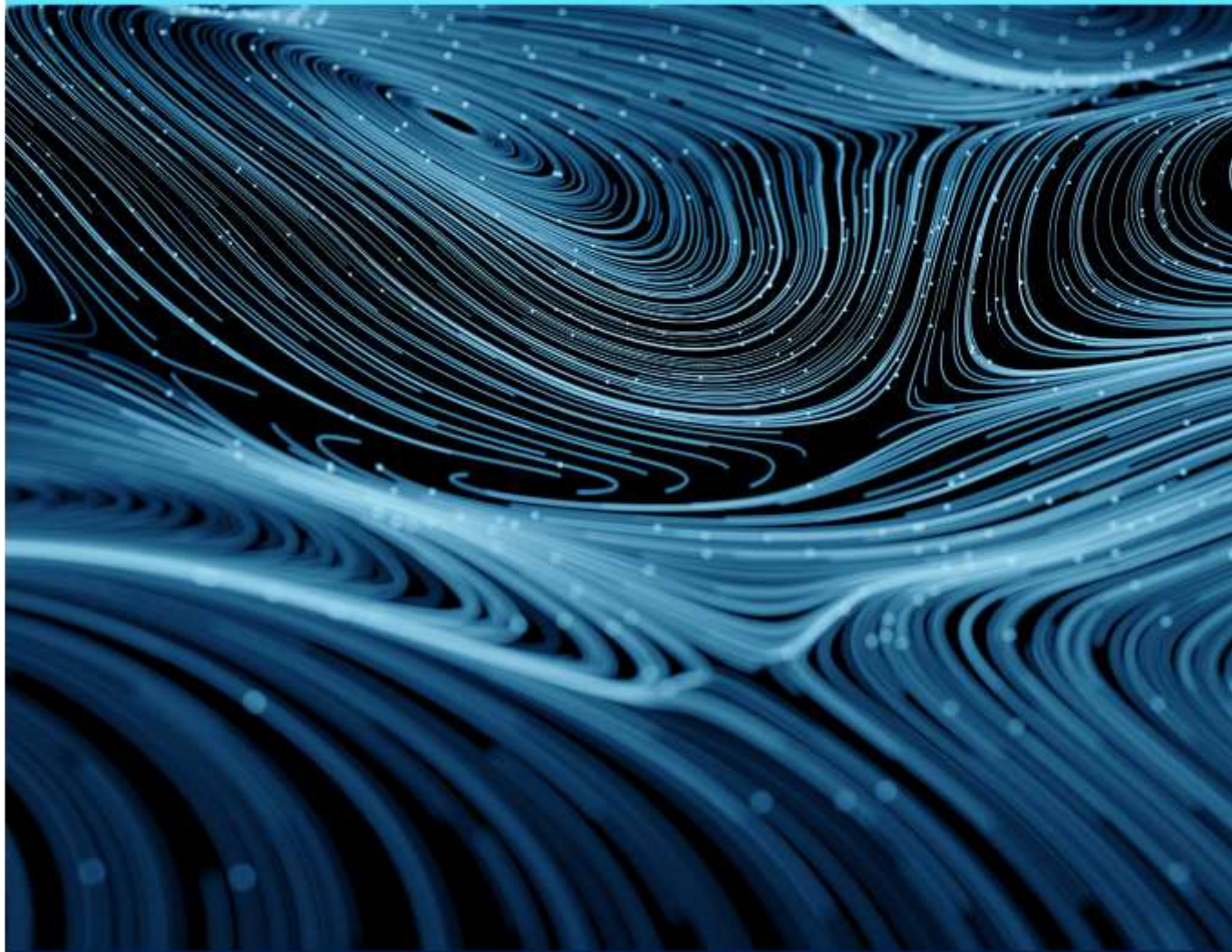




Large Gated Schemes – Whitfield Water Treatment Works (WTW)

Independent Assurance Report

Revision: 4.0
Southern Water
Commercial Assurance



Large Gated Schemes –
Whitfield Water Treatment Works (WTW)

Client name:

Southern Water

Project no:

B2430117

Project name:

Commercial Assurance

Project manager:

Revision:

4.0

Date:

30 September 2025

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
1.0	10/09/2025	Draft				
2.0	18/09/2025	Updated Draft				
3.0	25/09/2025	Updated Draft – respond SRN's comments				
3.1	26/09/2025	Updated Draft – respond SRN's comments				
3.2	29/09/2025	Updated Draft				
4.0	30/09/2025	Final				

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.

██████ 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 ██████ 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.
- A Cost Benefit Analysis (CBA) was undertaken at PR19. Each option was reviewed in terms of Whole Life Cost over 20 years, Customer impact, Long term resilience and ability to obtain discharge consent. The options were not revisited for the PR24 submission and the option presented in the Business Plan was the PR19 preferred option. Costs were refreshed for the PR24 submission for Capex only.
- SRN have presented an external benchmark as evidence of efficient costing. The benchmark was completed for total cost (including indirect costs and risk) and this showed the SRN estimate to be ~9.3% lower than the benchmark, which is considered acceptable. This was mostly due to the risk figures applied. It is clear how the company have developed the detailed scope build up.
- Actual costs to date are included up to end August 2025 with costs for September 25 being forecast. The company has not provided a detailed cost breakdown of costs from October 25 to May 27 (extended Submission 2). There is a high level forecast cost summary but it is not clear how these costs have been developed. Costs have been converted to 22/23 prices. Buildup 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 the Microsoft Teams sessions combined with offline reviews. Key findings listed below are based on our review of SRN's final documentation provided on 15th September 2025:

- 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. Documents reviewed are listed in Appendix A.
- 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) was undertaken by SRN to inform PR19. All options are currently being reviewed and re-costed to ensure that the option being progressed provides best value. WLC and CBA will be completed as part of Submission 2 activities
- 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 there are no material changes noted 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 outline feasibility stage. SRN have provided a risk register which identified the key risks based on probability and impact. Mitigations 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 Submission 2 (March 2027) is significantly higher than the development budget allowance in 22/23 prices. It is not clear how this has been developed. Risk and Overheads have been included in the cost buildup provided and these seem reasonable. High level programme provided showing the key activities to be undertaken prior to Submission 2.
- Throughout our reviews, some material issues have been identified and most have been addressed for Submission 1. One material issue relating to the buildup of submission 2 costs remains as we found that there is a high level cost summary in the report but it is not clear how costs have been developed for Submission 2. There is no detailed buildup of activities and inputs to support the forecast.



Lead Assurer

Appendix A. Record of Evidence Reviewed

List of all documents reviewed as part of the audit:

Name	Description
Large Scheme Gated Approach Submission 1 - Whitfield Growth v3_(draft).docx	30 page Submission Document v3
Whitfield Growth - Annex B1 - Cost Build Up Outline Methodology - Issue 050925.pdf	Costing Methodology
Whitfield Growth - Annex B2 - Options Benchmark Report Rev 2 - Issue 100925.pdf	Benchmark Report
Whitfield Growth - Annex D2 - Risk Register_v2.docx	Risk Register
A8-0128-870523 - Whitfield Option 4 Coastal Discharge R3.pdf	Detailed cost buildup - pdf
A8-0128-870523 - Whitfield Option 4 Coastal Discharge R3.xlsm	Detailed cost buildup - Excel
Whitfield - Summary and Dashboard V2 Issue 100925.xlsx	Benchmark – Excel outputs
Whitfield - P6 Gantt Chart 16.09	Programme
Large Scheme Gated Approach Submission 1 - Whitfield Growth v4	30 page Submission Document v4

Supporting Documents:

Name
20250811 Final Draft Delivery Plan Tables v2.0.xlsx
SRN-DP-001 Delivery Plan Commentary Report.pdf
SRN15 Cost and Option Methodology ¹

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

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