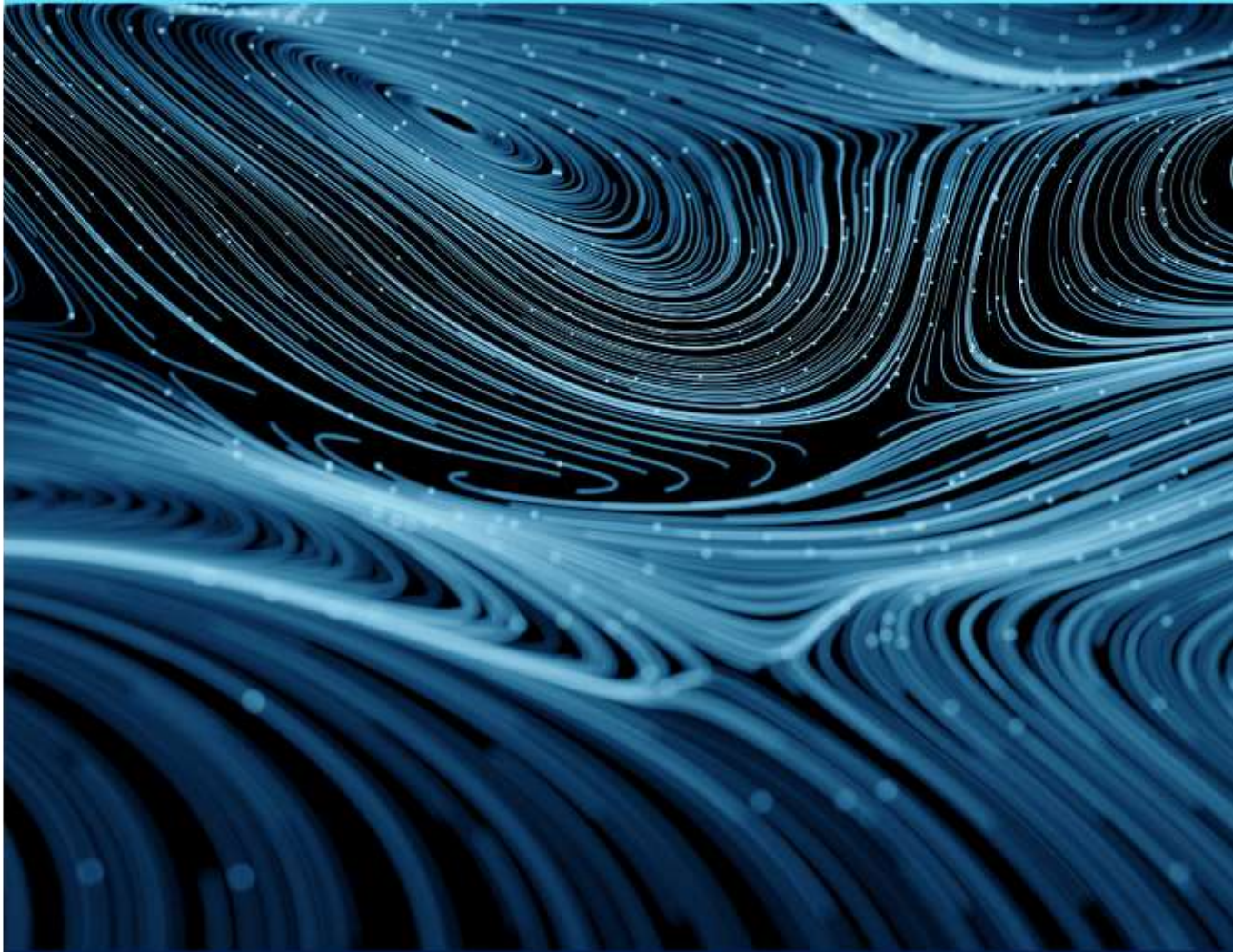




Large Gated Schemes

[Redacted]

[Redacted]

Independent Assurance Report

Revision: 3.0
Southern Water
Technical Assurance

[Redacted]

Large Gated Schemes

Client name: Southern Water

Project no: B2430117

Project name: Technical Assurance

Project manager: [REDACTED]

Revision: 3.0

Date: 30 September 2025

Document history and status

Revision	Date	Description	Author	Checked	Reviewed	Approved
1.0	24/09/2025	Draft	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.0	25/09/2025	Updated draft – respond to SRN's comments	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
2.1	29/09/2025	Final Updated draft	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
3.0	30/09/25	Final	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

████████████████████

██████████

████████████████████

██████████

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 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.

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, we did not find any material misstatement.

We consider that:

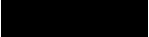
- The Company has not provided evidence to show consideration of the range of options considered for the PR24 submission. The optioneering presented seems to have been undertaken using scoring of high, medium and low for Capex and Opex costs to rank options for the intake pumping station only.
- The Company has stated that engagement with Stakeholders is ongoing. OFWAT is being updated by quarterly reports and regular briefings and updates are provided to the DWI and Environment Agency. We have seen evidence that the Drinking Water Inspectorate (DWI) are supportive of the proposed solution.
- The Company has not demonstrated best value for customers through cost beneficial/effective solution analysis but have stated this is planned prior to submission 2.
- The Company has presented the same solution to that which was originally proposed for PR24. Options are currently being reviewed and CBA for these is still to be undertaken. This is to be completed prior to Submission 2.
- The design proposed in the PR24 business plan aimed to address lack of resilience of system as well as addressing Final Enforcement Orders (FEOs) issued by the Drinking Water Inspectorate (DWI). The design proposed aims to address this risk.
- A change log is not provided as the Company confirms that there are no material changes at this stage.
- A risk register has been provided which outlines risks with current and residual scores, costs and owners but this seems to have been produced by the delivery partner rather than by Southern Water. There are only 11 risks shown on the register, which seems low for a scheme of this complexity.

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 19th 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.
- The scheme is founded in a proposal originally developed for PR24. The need to address the evolving water quality risks is driven by a Final Enforcement Order issued by the DWI in 2023. DWI support the proposed solution.
- A high level plan of the project solution has been provided. A detailed programme together with assumptions and dependencies is required for Submission 2.
- The programme has insufficient information to ascertain if project is on track. We will review this when the detailed programme is available at Submission 2.
- We understand that the 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.
- Optioneering continues and is due to be completed early in 2026 for inclusion in submission 2.

- 
- 
- 
- Although an assessment of key risks has been done and a list of risks provided there are no details of scoring, mitigation plans or residual risk and it seems that the risk register provided is that produced by the delivery partner rather than by Southern Water.
 - A detailed risk register produced in accordance with Company procedures is to be provided along with a copy of the Risk procedure by Submission 2. A material action has been raised to provide a completed risk register. The risk methodology has been requested. This has not been provided to date and therefore we have been unable to assess risk approach. We are aware that SRN have included a Risk Mitigation plan for high-risk areas in section 5.3 of the Submission.
 - Cost Benefit Analysis (CBA) was undertaken by SRN to inform PR24. Best Value Appraisal has not been undertaken for submission 1 and is planned for the early stages of the submission 2 programme once the planned work to resolve uncertainties and issues for the current feasible options is completed.
 - No material changes to scope or substitutions approved or imposed by other regulators were identified in the review of documents.
 - SRN confirmed on 26/09/2025 that a full governance review of the scheme will be completed prior to the submission.





Lead Assurer

Appendix A. Record of Evidence Reviewed

1. Large gated scheme [REDACTED] cg mp clean 15Seprev [REDACTED] Markup.docx
2. [REDACTED] Enforcement Order – S18 of the WIA1991 - DWI V1.pdf
3. Appendix C2 [REDACTED] risk_register.xlsx
4. Appendix A2 [REDACTED] LGS (Hampshire South West).xlsx
5. Appendix B1 SRN15 Cost and Option Methodology (1).pdf
6. Appendix D1 161 - Southern Water - Water Resilience Strategy - Aug '23.pdf
7. Appendix D1 4 site plan report v1.1.docx
8. Appendix D1 Hampshire Incident Management - April 2023.pptx
9. Appendix D1 Hampshire Incident Management - Dec 24.pdf
10. Appendix D1 Kent and Hampshire December Incidents - Customer Research Summary 22 02 23.pdf
11. Appendix D1 Kent and Hampshire Incident Management - Insight report.pdf
12. Appendix D1 New Forest - Customer Research Summary (Final) Dec 23.pdf
13. Appendix D1 New Forest Incident Management - 8 Dec 2023 (compressed).pptx
14. Appendix D1 SRN-2022-00009-V4-[REDACTED]-Biannual-Report-March2025_v.final.docx
15. Appendix D1 SRN-2022-00009-V4-[REDACTED]-Biannual-Report-Sept24_Final.docx
16. AMP8-WTR-WSS-[REDACTED] FEO rebrief - June 25.docx
17. SRN_2022_00009_[REDACTED]_FEO.pdf
18. SRN-2022-00009_Order made letter [REDACTED].pdf
19. SRN25 Supply Resilience Enhancement Programme.pdf
20. SRN-DDR-027 - Supply Resilience Enhancement Programme Cost Evidence Case (5 sites - Word).docx
21. [REDACTED] FEO and non-FEO actions - Aug 25.xlsx
22. [REDACTED] 1st Aug 2025.pptx
23. RE_[REDACTED] shared the folder _LSG workgroup_ with you.msg

Important note about your report

This document has been prepared by a division, subsidiary or affiliate of [REDACTED] in its professional capacity as consultants in accordance with the terms and conditions of [REDACTED] contract with the commissioning party (the "Client"). Regard should be had to those terms and conditions when considering and/or placing any reliance on this document. No part of this document may be copied or reproduced by any means without prior written permission from [REDACTED]. If you have received this document in error, please destroy all copies in your possession or control and notify [REDACTED].

Any advice, opinions, or recommendations within this document (a) should be read and relied upon only in the context of the document as a whole; (b) do not, in any way, purport to include any manner of legal advice or opinion; (c) are based upon the information made available to [REDACTED] at the date of this document and using a sample of information since an audit is conducted during a finite period of time and with finite resources. No liability is accepted by [REDACTED] for any use of this document, other than for the purposes for which it was originally prepared and provided.

This document has been prepared for the exclusive use of the Client and unless otherwise agreed in writing by [REDACTED] no other party may use, make use of or rely on the contents of this document. Should the Client wish to release this document to a third party, [REDACTED] may, at its discretion, agree to such release provided that (a) [REDACTED] written agreement is obtained prior to such release; and (b) by release of the document to the third party, that third party does not acquire any rights, contractual or otherwise, whatsoever against [REDACTED] accordingly, assume no duties, liabilities or obligations to that third party; and (c) [REDACTED] accepts no responsibility for any loss or damage incurred by the Client or for any conflict of [REDACTED] interests arising out of the Client's release of this document to the third party.