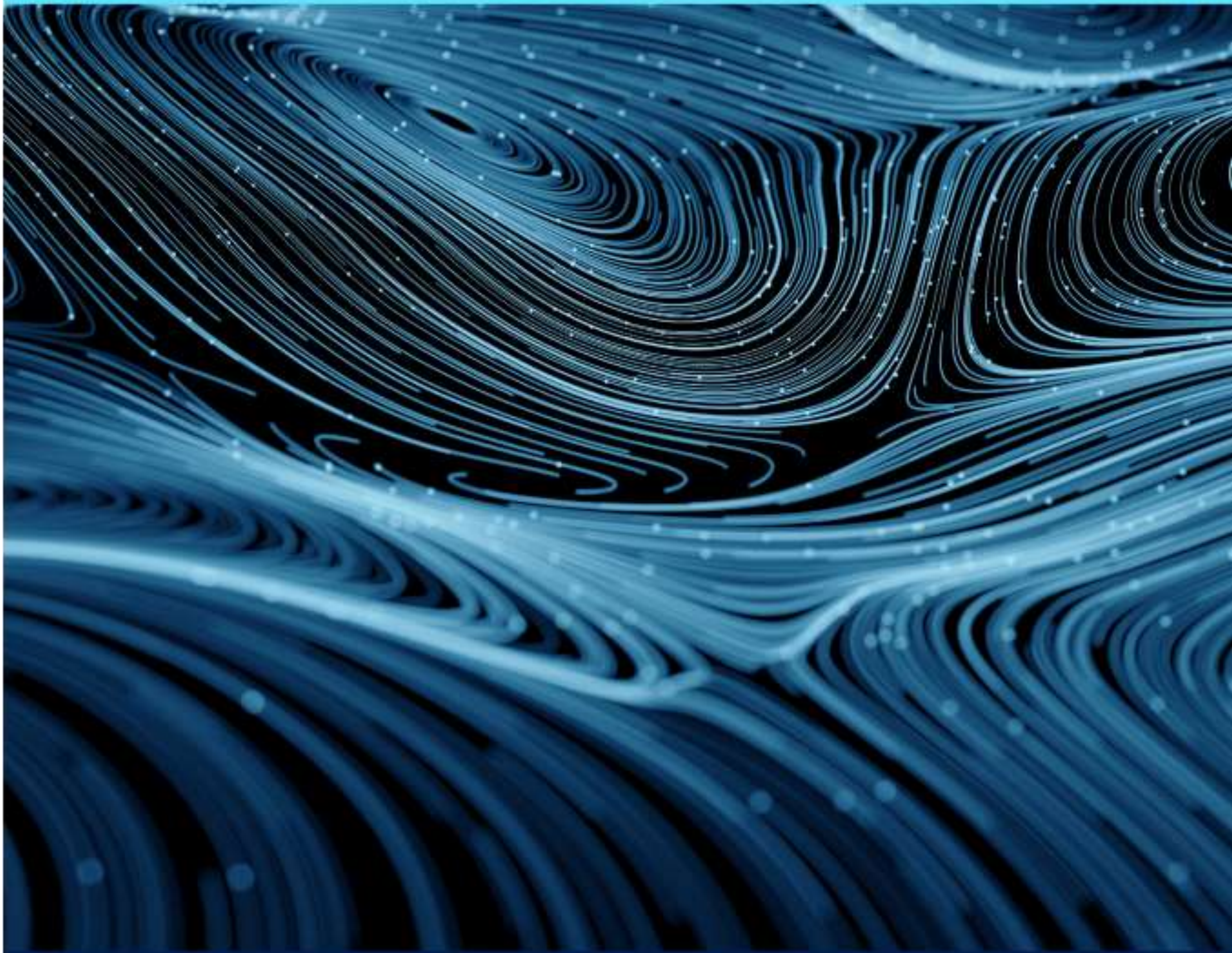

# Large Gated Schemes – Isle of Sheppey Water Supply Zone (WSZ)

Independent Assurance Report

Revision: 3.0
Southern Water
Technical Assurance

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## Large Gated Schemes – Isle of Sheppey Water Supply Zone (WSZ)

**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 | 24/09/2025 | Draft | AFH/WPH | SDB | YZ | TM |
| 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.

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 Company has considered a range of options for PR24. While no change log is currently being provided SRN suggest scope may change at Submission 2.
- The Company has undertaken limited engagement with Stakeholders. Customer engagement focused on feedback post the 2022 supply interruption incident. There is no evidence of engagement with DWI, Environment Agency and Local Authorities.
- The company has not provided cost benefit analysis to demonstrate selection of the most cost beneficial/effective solution. Additional options are being assessed for improvements to resilience. It is understood these will be considered and reported at Submission 2.
- The company has presented the same solution to that which was originally proposed for PR24. Options are currently being reviewed and CBA to be undertaken prior to Submission 2.
- The proposed solution identified in the PR24 business plan aimed to increase the resilience score of the Isle of Sheppey Water Supply Zone. The solution proposed will address this risk.
- A change log is not provided as the Company confirms that there are no material changes at Submission 1.
- The risk register is high level only and not detailed or costed. No pre and post mitigation scores were provided (i.e. to measure their effectiveness).

# 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 17th September 2025 and the additional information provided by 26th September 2025 - documents reviewed are listed in Appendix A:

- The company has used the figures from the PR24 Final Determination (FD) and state that there is no material change (and no Change Log provided). The Company has considered a range of options for PR24. We note that the scheme is undergoing significant additional optioneering as a result of the loss of supply incident in 2024 – but that this will be investigated further and presented at Submission 2.
- The submission document does not set a target resilience score nor has it tested the impacts that each component would provide individually against best value/ tested against customers willingness to pay.
- Some of the proposed interventions do not significantly improve resilience at Local or Zone level. We recommend that the impact of each intervention is assessed to verify that it materially contributes to resilience and value for money.
- Two of the five work components are replacement or refurbishment and therefore likely to be Base Maintenance. Forensic review of investment required to ascertain what should and should not be included in this investment, to include QBEG analysis in accordance with Regulatory accounting principles (Ofwat and Company). An explanation of how the additional cost is to be reconciled against the enhancement originally agreed should be included in the submission.
- A high level programme only has been provided. A more detailed programme will be required at Submission 2.

- It is unknown if the scheme is on track.
- The risk register is high level only and not detailed. The methodology is uncertain and no evidence was provided by way of risk reports/ detailed risk assessments. No pre and post mitigation scores were provided (i.e. to measure their effectiveness).
- We consider a complete unified approach to risk should be undertaken for this scheme, Resilience versus cost, looking at the whole system and including potential links to the Sittingbourne Water Supply Zone that could, under asset failure conditions, provide support/ mitigate some of the impacts on customers. This statement also relates to the proposed upgrade of Keycol WSW, which is in close proximity to Sittingbourne urban area (and being considered as a potential site for the new WSW). This should be evidenced at Submission 2.
- Cost Benefit Analysis (CBA) is yet to be completed but should be produced for Submission 2. Value for Money will need to be demonstrated.
- 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.
- A change log is not provided as 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 to date.
- Quarterly meetings and feedback – Scheme specific quarterly reviews and feedback from Ofwat and DWI should be evidenced for Submission 2.
- Solution agreement (with regulators) - Optioneering continues and as such preferred solution has not been agreed with DWI. DWI agreement to be evidenced at Submission 2.
- SRN confirmed on 26/09/2025 that a full governance review and sign-off of the scheme have will be completed prior to the submission.

S D Brown

Steve Brown

Lead Assurer

# Appendix A. Record of Evidence Reviewed

1. Large Scheme Gated Submission 1 - Isle of Sheppey 17092025 v02.docx
2. Annex G - SWS Resilience Framework.pdf
3. DDR037 - SRN Additional Resilience and Safety Investment Case-FORMATTED.pdf
4. 7103_Regional_insights_map (county slides) Kent.pdf
5. Four Site Strategy.docx
6. Infiltration and Resilience.docx
7. Isle of Sheppey Incident - Customer Research Summary 07 09 22.pdf
8. Isle of Sheppey Incident Management Research 2022 Report.pdf
9. Long Term Strategy.docx
10. Sheppey report, Dec 2023 (compressed).pdf
11. Sheppey Customer feedback.msg
12. Annex A ID420.03 Risk & Value 3 Guidance and methodology.docx
13. Annex F1.3 Optioneering RV3 for IoS.xlsm
14. Hastings and Isle of sheppey Ofwat large gated scheme submission call.msg
15. LGS IoS Hastings - 7th Aug 2025.pdf
16. SRN Hastings & Isle of Sheppey - LG Meeting Summary_v1.0.docx

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