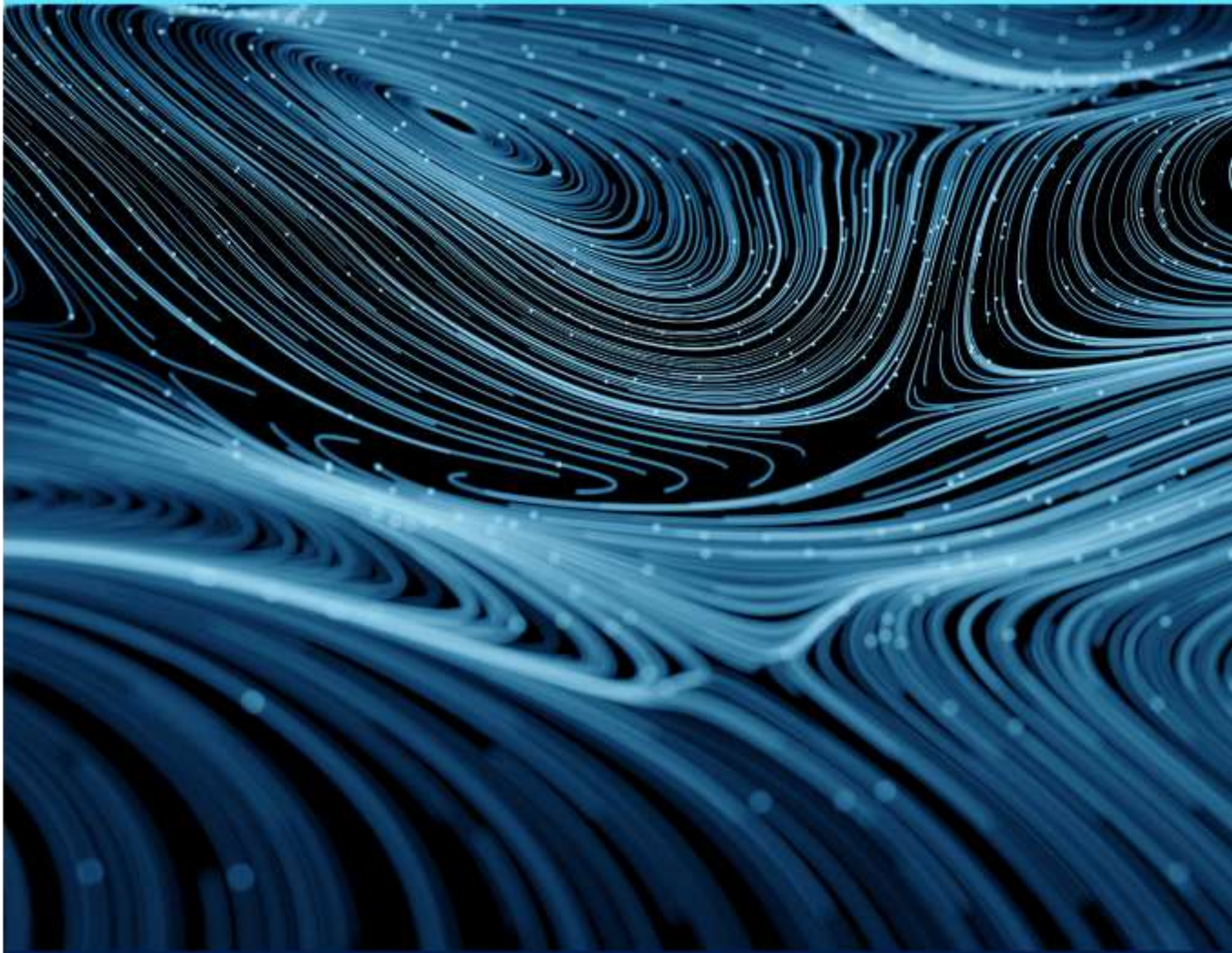

Large Gated Schemes – Sittingbourne Water Recycling Project (WRP)

Independent Assurance Report

Revision: 3.0
Southern Water
Technical Assurance

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Large Gated Schemes –
Sittingbourne Water Recycling Project (WRP)

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 not clearly explained that they considered a range of options for the PR24 submission. The PR24 submission was based on a new Water Recycling Plant (WRP) adjacent to the existing Wastewater Treatment Works at Sittingbourne to supply an Industrial User. Optioneering was undertaken in relation to ability of processes to treat the water and additional options are currently being considered. It is understood these are to be reported at Submission 2.
- The Company has undertaken engagement with Stakeholders. The main stakeholder/customer is the industrial facility owner and engagement is ongoing with weekly meetings. Quarterly meetings are held with Ofwat. DWI are engaged through the RAPID oversight of the scheme. We have seen that a written update has been provided to the environmental regulators.
- The option taken forward to design at PR24 is not evidenced through Cost Benefit Analysis (CBA) as providing the best value to customers. Initial Submission 1 work has focused on providing a high level confirmation that these objectives can be met and developing a path to preferred solution identification. Additional options are currently being considered which may reduce the cost of treatment and provide better value to customers than that proposed for PR24.
- The company has presented the same solution to that which was originally proposed for PR24. Options are currently being reviewed and CBA is still to be undertaken. The output of this is to be presented at Submission 2.
- The proposed solution identified in the PR24 business plan is to provide an additional 7.5 Ml/d drinking water supply to the Kent Medway East Water Resource Zone and the proposed design will address the original risk identified.
- A change log is not provided as the Company confirms that there are no material changes at Submission 1.
- A risk register has been provided which outlines risks with pre and post mitigation scores, but costs have not yet been added.

Summary of Key Findings

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 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 at this stage.
- The scheme is founded in a proposal originally developed for PR24. The need identified to mitigate a future supply deficit in the Kent Medway East Water Resource Zone would be mitigated by providing an industrial facility with an alternative supply of recycled water.
- A high level programme only has been provided. A more detailed programme is awaited but the scheme is dependent on reaching a satisfactory conclusion to the negotiations with the industrial facility owners and will be provided for Submission 2.
- Risks were considered within the submission. The risk methodology has been requested but has not been provided to date. We understand that work is ongoing to promote consistency across all the large gated schemes and this will be evident at Submission 2.

- Risk Register – changes or otherwise post mitigation. It was noted that the risk register included a number of risks were the score was either unchanged or increasing post mitigation. The risk register should be reviewed and updated as appropriate prior to 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.
- Cost Benefit Analysis (CBA) was undertaken by SRN to inform PR24. Value for Money will need to be demonstrated for Submission 2.
- The proposed solutions have been reviewed and no additional scope, costs or risk above that identified in the PR24 plan. Reasons for no change have been documented by SRN and seem reasonable.
- It is not possible to provide a view on the robustness of the investment proposal as insufficient documentary evidence was available to date. There is no design undertaken at this stage though SRN has undertaken evaluation of potential treatment technologies.
- SRN confirmed on 26/09/2025 that a full governance review of the scheme will be completed prior to the submission.

S D Brown

Steve Brown

Lead Assurer

Appendix A. Record of Evidence Reviewed

1. LSGS 1 - Sittingbourne re-use v2.1_Post Jacobs Assurance Submission1.docx
2. PR24-FD-CA151-Enhancement-schemes-change-log.xlsx
3. Supporting Information A1 - Treatment Optioneering.pdf
4. Supporting Information A2 - Summary of Pipeline Optioneering.xlsx
5. Supporting Information C1 - Planning, Environmental and Delivery Planning Review.pdf
6. Supporting Information C2 - Engineering Effort Estimate.xlsx
7. Supporting Information C3 - Risk Register.xlsx
8. DSS-SW - Sittingbourne - OFWAT Large Scheme Approach Guidance & Draft Submission 1 Report .msg
9. PFD presention sittingbourne - DS Smith Papermills August 14th 2025.pptx
10. SU407b.01 Meeting Minutes 01092025.docx
11. LSG Intro to SLM, Sittingbourne and Sandown (28.07.2025).pptx
12. Offline 25.08.28 Sittingbourne Large Gated Scheme - Project Summary (1).pptx
13. SRN-DP-001 Delivery Plan Commentary Report.pdf

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