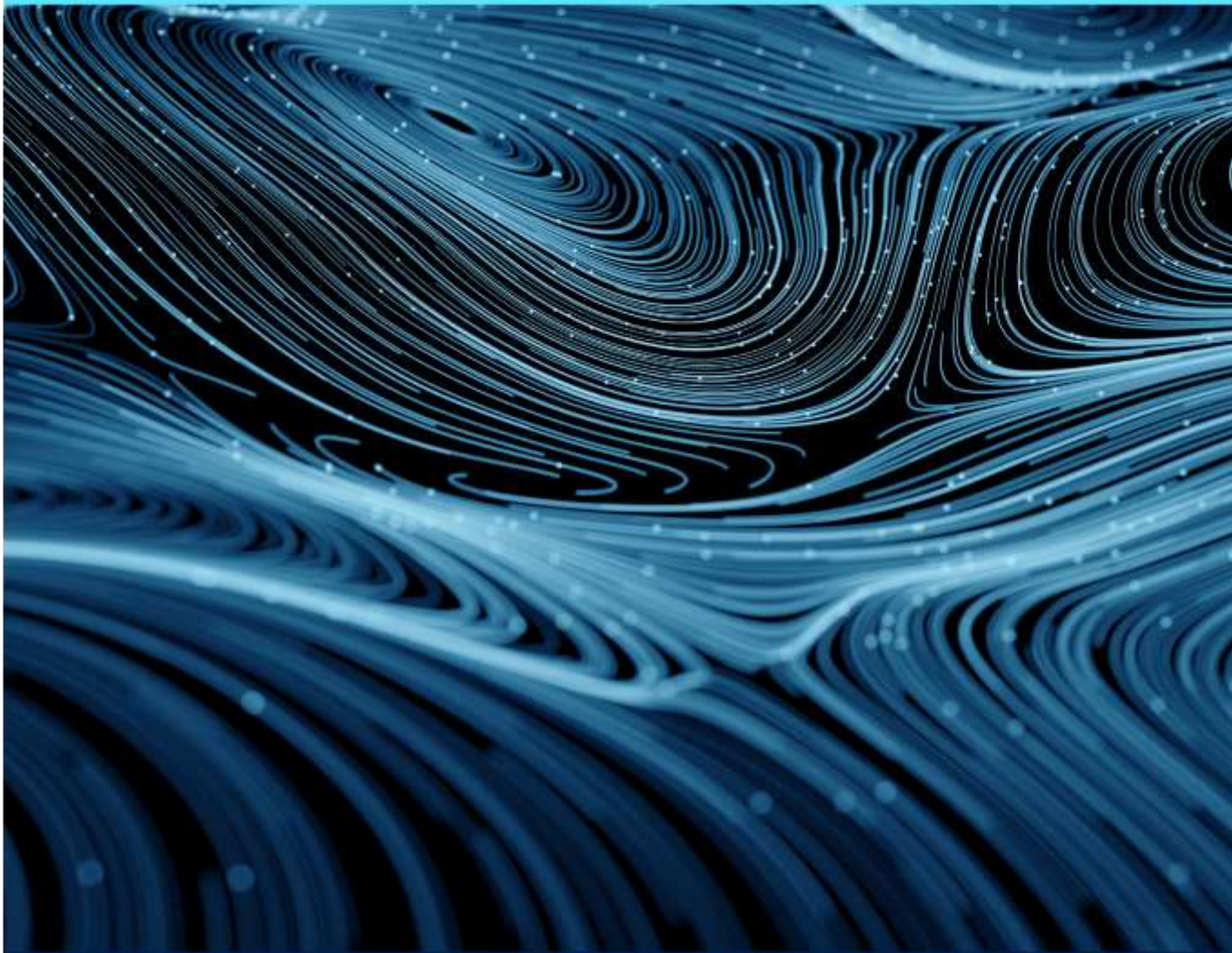




Large Gated Schemes – Sittingbourne Water Recycling Project (WRP)

Independent Assurance Report

Revision: 3.0
Southern Water
Commercial Assurance

Jacobs

Challenging today.
Reinventing tomorrow.

Large Gated Schemes – Sittingbourne Water Recycling Project (WRP)

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.
- No evidence CBA has been undertaken or appraised appropriately on option presented for PR24. The PR24 submission was based on a new Water Recycling Plant (WRP) adjacent to the existing Wastewater Treatment Works to supply the Industrial User. Optioneering was undertaken in relation to ability of processes to treat the water and several options were assessed but Opex was not included. CBA assessment to include OPEX and Whole Life Cost, together with embodied carbon, operational carbon, natural and social capital value for the various options proposed should be completed prior to Submission 2.
- The company has not provided evidence that the proposed costs are efficient as benchmarking has not been comprehensively undertaken. Contractor and Client Indirect cost percentages were benchmarked, together with Corporate Overheads and risk allocations, as part of the PR24 process and found to be efficient. 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 up to Submission 2 (May 26) including delivery partner inputs. 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 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 not been externally benchmarked for Submission 1. Benchmarking to be undertaken prior to Submission 2. In our opinion an additional Anomaly and exclusion report is not required.
- Cost Benefit Analysis (CBA) of options has not been undertaken to date. The PR24 submission was based on a new Water Recycling Plant (WRP) adjacent to the existing Wastewater Treatment Works at Sittingbourne to supply the Industrial User. Optioneering was undertaken in relation to ability or processes to treat the water and several options were assessed. Opex costs have not been generated for this submission. Additional options to be assessed and CBA undertaken prior to Submission 2.
- 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 changes to be 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. Suitable justification has been provided, and we confirm that there is no material change since FD.
- 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.
- A Risk Register has been provided. The risk register shows the probability and scale of the impact, as well as mitigations but has not been costed at this stage. This project is at optioneering stage. There have been no risks transferred to the contractor to date and this seems appropriate given the stage of the project.
- The development cost (actual and forecast) to March 2026 is significantly lower than the available budget allowance in 22/23 prices.
- Cost buildup provided for Submission 2 with a detailed list of activities to be undertaken during the period. There is an appropriate allocation of overhead and risk with text to explain what the key risks are and these seem appropriate.

Throughout our reviews, some material issues have been identified and most have been addressed by SRN. We understand SRN will investigate and address the one remaining material issue:

- The preferred treatment option was costed for CAPEX only. There appears to be no assessment of OPEX or calculation of Whole Life Cost to support the preferred option presented. Opex, together with embodied carbon, operational carbon, natural and social capital value are to be included in CBA presented for Submission 2. The requirements listed in the guidance for Submission 2 are achievable, however several data gathering items will span beyond May 2026 to ensure the various stakeholder requirements are met.

SD Brown

Steve Brown

Lead Assurer



Appendix A. Record of Evidence Reviewed

List of all documents reviewed as part of the audit:

Name	Description
LSGS 1 - Sittingbourne re-use v2.1_Post Jacobs Assurance Submission1.docx	30 page Submission v2.1
LSGS 1 - Sittingbourne re-use v2.2_Post Jacobs Assurance Submission1.docx	30 page Submission v2.2
Supporting Information C2 - Engineering Effort Estimate.xlsx	Delivery Partner detailed cost buildup
Supporting Information C3 - Risk Register.xlsx	Risk Register
Supporting Information E1 - Efficiency of Expenditure - Cost Breakdowns.xlsx	Submission1 and Submission 2 cost buildup
A8-0142- Sittingbourne Inflation, Multipliers and Class Update R2.pdf	Detailed cost buildup - pdf
A8-0142- Sittingbourne Inflation, Multipliers and Class Update R2.xlsm	Detailed cost buildup - Excel
Cost Assurance Narrative - Sittingbourne v2.docx	Costing Methodology

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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