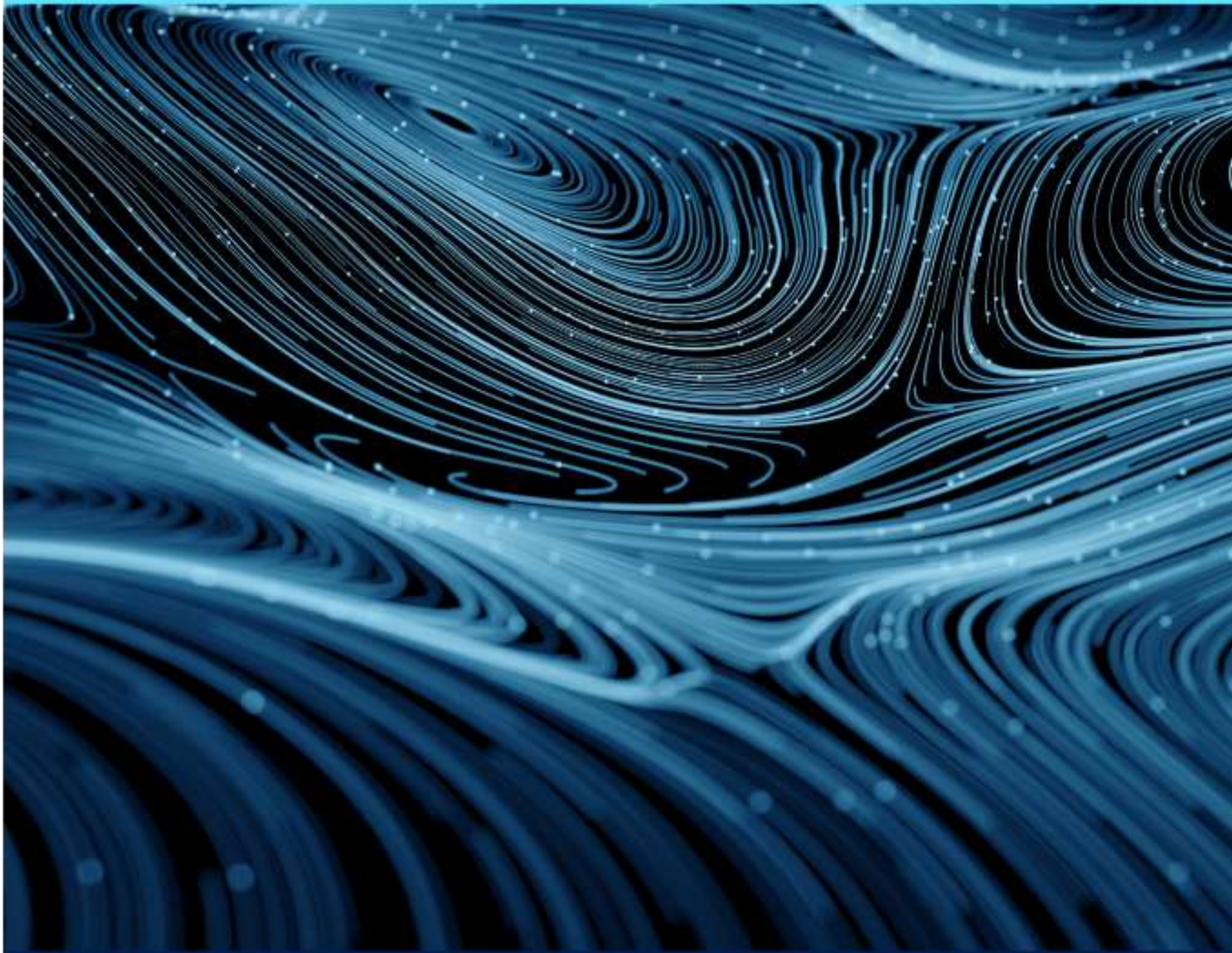

Large Gated Schemes – Hastings Water Supply Zone (WSZ)

Independent Assurance Report

Revision: 3.0
Southern Water
Technical Assurance

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Large Gated Schemes – Hastings 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	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 considered a range of options for PR24. While no change log is currently being provided SRN suggest scope may change at submission 2. The submission document does not sufficiently describe the PR24 scheme as at Final Determination (FD) and why the scheme is proposed to be significantly larger in scale.
- The Company has undertaken engagement with Stakeholders. Customer engagement focuses on feedback post the May 2024 incident. The Company has undertaken proactive engagement with stakeholders throughout the development of the resilience scheme including DWI, EA, local authorities, Emergency Services and Kent Resilience Forum.
- The option taken forward to design at PR24 has not been assessed as the best option for customers based on Cost Benefit Analysis (CBA) considering embodied and operational carbon, natural and social capital. We have not seen evidence that an appropriate range of options have been considered that will address the identified need.
- The company has presented the same solution to that which was originally proposed for PR24. Additional options are currently being reviewed and CBA still to be undertaken. We understand this will be completed prior to Submission 2.
- The proposed solution identified in the PR24 business plan aimed to increase the resilience score of the Hastings 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 this stage.
- A risk register was provided. The early stage of project development means this is not yet fully populated with risk scores before and after mitigation for risks to scope, programme and costs.

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. A change log is not provided as the company confirms that there are no material changes at Submission 1.
- Southern Water confirmed they will report to PR24/FD costs at Submission 1. During our review, we were aware that SRN are investigating additional scope over and above PR24. If these options progress these could increase costs significantly. We understand additional schemes will be developed and presented, if appropriate, at submission 2. It will be important to demonstrate best value for customers at that juncture.
- The majority of the work items are replacement or refurbishment and therefore likely to be Base Maintenance. A 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.

- The scheme is founded in proposals originally developed in PR24 and has been expanded as a result of the May 2024 supply incident and subsequent DWI notices (some of which have not been issued at the time of this submission). The need identified is to improve the resilience in the raw water supply system and treatment and treated water enhancements. Optioneering of the solution continues and will be carried on until Submission 2.
- A high level programme has been provided. A more detailed programme will be required at Submission 2. A number of mitigations were completed in AMP7 and optioneering continues to finalise the AMP8 programme for this WSZ.
- Differing approaches to risk have been adopted on this scheme and no unified end to end risk register was evidenced. Uncertainties also around risk methodologies adopted for what has been included.
- Cost Benefit Analysis (CBA) is yet to be completed but will be ready for inclusion in Submission 2. Value for Money will need to be demonstrated.
- We have not seen evidence that an appropriate range of options have been considered that will address the identified need. Details of all options considered, including assessment against meeting the need, to be provided for Submission 2.
- Assumptions and dependencies are to be incorporated into the detailed programme for Submission 2 which should also include information about construction activities and project progress.
- 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 complete unified approach to risk should be undertaken for this scheme, looking at the whole system and including elements such as regulatory risk, approvals, environmental issues etc. It should also be undertaken in accordance with the company procedures (to ensure consistency and transparency) and have an associated risk report and sign off. This should be evidenced at Submission 2.
- It is not possible to provide a view on the robustness of the investment proposal as insufficient documentary evidence was available.
- The early stage of scheme maturity is reflected in lack of detail in the project programme, in the risk management approach and in the value for money assessment. These elements will require to be significantly further developed prior to Submission 2.
- SRN confirmed on 26/09/2025 that a full governance review and sign off of the scheme 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 - Hastings 17092025 v02.docx
2. Hastings Feedback questions v1_with SW action owners.xlsx
3. 7103_Regional_insights_map (county slides) Sussex.pdf
4. Hastings - Customer Insight Summary 2024 final June 24 .pdf
5. Hastings Incident Management - May 24 31.5.24.pptx
6. Updated Resilience Research Report September 2024.pptx
7. Annex G2 - SWS Resilience Framework.pdf
8. DDR037 - SRN Additional Resilience and Safety Investment Case-FORMATTED.pdf
9. SWS Hastings Incident Report - failure extract Aug 2024.pdf
10. A8-0144-Hastings 11km of 800mm Pipeline .xlsm
11. A8-0144-Hastings 11km Pipeline.pdf
12. Brede - DWI Update List with origin (DWI Dates June 2025).docx
13. Southern Water Services Limited – Brede Harland Tank Enabling Works - Drinking Water Inspectorate.pdf
14. SRN-2020-00007 Brede Beauport V3.pdf
15. MGW-OP-T-EMS-0024 Design and Development Manual.pdf
16. MGW-SW-COM-004-DRR v1.1.xlsm
17. LGS IoS Hastings - 7th Aug 2025 (1).pptx
18. LGS IoS Hastings - 7th Aug 2025 PDF.pdf

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