

# BUSINESS PLAN 2025 TO 2030 PRT15 BOARD ASSURANCE



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# 1. AT A GLANCE

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The Portsmouth Water Board has participated and challenged at all stages in the development of the Company's Business Plan, both for the 2025-30 AMP, but also assessing and understanding the extended future by being involved in and helping to shape the Long Term Delivery Strategy. They have ensured that the Plan is produced taking into account customer and stakeholder wishes and will deliver significant improvements against key performance commitments, in particular the ones highlighted by customers as the most important to them – leakage, supply interruptions, mains repairs and per capita consumption (PCC).

The Board took an early decision that the assurance process was such a significant exercise that it required a standalone Board sub-committee (PR24 Steering Committee). The committee has been meeting monthly in the run up to the PR24 submission. All Board Directors, including all the Non-Executive Directors, sit on the committee and the committee includes the senior management team. This committee oversaw the initial work on the development of the strategy and signed off the Company Vision which was published in July 2022.

They have continued to be fully engaged throughout the process leading to the final Plan submission.

Ambition has been a key driver over the past 24 months and this document will detail how the Board have assured themselves that not only is the Plan ambitious and can deliver stretching performance, but also that the Company has the structure and capabilities to deliver such an ambitious plan. The plan includes several large projects, most notably Havant Thicket reservoir and our Smart Metering programme. The Smart Metering programme is crucial to achieving the targets in our Water Resources Management Plan (WRMP) and hitting those customer priorities of leakage and PCC.

The Board have continually monitored customer engagement on our plans and a non-executive Director sat on both the Company's very successful 'Your Water, Your Say' panel and also as an ongoing member of our Customer Scrutiny Panel. The Company continues to lead the way in Customer Service and Customer Approval ratings and the Board are conscious that the reputation of the business is maintained during this process when the Plan requires above inflation bill increases. The Board have also challenged the costs and outcomes and ensured that the Plan offers an affordable proposal that offers value for money.

In the Board's view, the Plan reflects well justified business cases that come together into an ambitious but necessary Plan. The plan has customer support and allows the business to deliver its key priorities in future years.

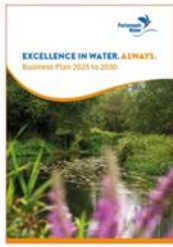
Assurance continues to be central to the Board's decision making process and the business cases have been thoroughly and robustly developed, utilising both internal and external specialists, and subject to independent assurance from both technical and financial assurance partners.

Finally, this paper includes cross referencing to the Ofwat Board Assurance framework and details when and how the Board have considered each assurance element.

A copy of the Board Assurance Statement, signed by all Directors, is included within our main Business Plan document.

# 2. DOCUMENT MAP

## Business Plan to 2030



PRT01  
**EXCELLENCE IN WATER. ALWAYS.**  
 Business Plan 2025 to 2030

For the full navigation plan and documents visit [www.portsmouthwater.co.uk/business-plan-2025-2030](https://www.portsmouthwater.co.uk/business-plan-2025-2030)

## Supporting Documents

<p>PRT02                  Delivering Havant Thicket Reservoir for Our Customers and the Region</p>	<p>PRT03                  Engaging and Understanding Our Customers and Communities</p>	<p>PRT04                  Delivering for Our Customers and Communities</p>	<p>PRT05                  Delivering Outcomes for Our Customers</p>	<p>PRT06                  Managing Our Resilience in the Long Term</p>
<p>PRT07                  Our Investment Plan</p>	<p>PRT08                  Delivering Our Investment Plan</p>	<p>PRT09                  Securing Value for Money</p>	<p>PRT10                  Innovation to Enhance Our Service Delivery</p>	<p>PRT11                  Addressing Affordability and Vulnerability</p>
<p>PRT12                  Accounting for Past Performance</p>	<p>PRT13                  Risk and Return</p>	<p>PRT14                  Our People</p>	<p>PRT15                  Board Assurance</p>	

## Vision and Our Long-Term Plans

<p>PRT16                  Our 25-Year Vision (consultation version)</p>	<p>PRT17                  Water Resource Management Plan (revised)</p>	<p>PRT18                  Long-Term Delivery Strategy 2025-2050</p>
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# 3. BOARD ASSURANCE

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## A. Introduction

The Board of Portsmouth Water is responsible for the strategic development and oversight of the Appointed Business and takes its responsibilities seriously. Led by an independent Chairman, with two further independent non-executive Directors and an Investor Director, the Board seeks to foster a culture of customers at the heart of the business. It has a well-established and effective set of policies and procedures covering corporate governance and risk management to ensure it has good oversight of the operational business.

Our smaller scale and flat management structure provide close links between the Board, Senior Management and colleagues throughout the Company and to the communities and customers that we serve. The Independent Directors all have the appropriate skills, experience in the respective disciplines and character to bring independent and objective judgement to the Board's deliberations and to represent customers interests.

The development of the Plan has been driven by a central project team, working with the Board sub-committee (PR24 Steering Committee), Executive Team, experts across the business and using external advice and support where required. The PR24 Steering Committee membership includes every Board member such is the importance of the matter, until full reviews in August and September Board meetings. The steering committee led the monthly assurance by the Board of the process. The references in this document to Board involvement could be either full Board or steering committee but as they both comprise the same members, no differentiation has been made.

Strategic leadership over the past two years has been given by the Board via the PR24 Steering Committee. In addition, the Executive Team formed a committee to develop the plans in their area and draft the required documents. This Executive Committee has been meeting weekly to progress these matters.

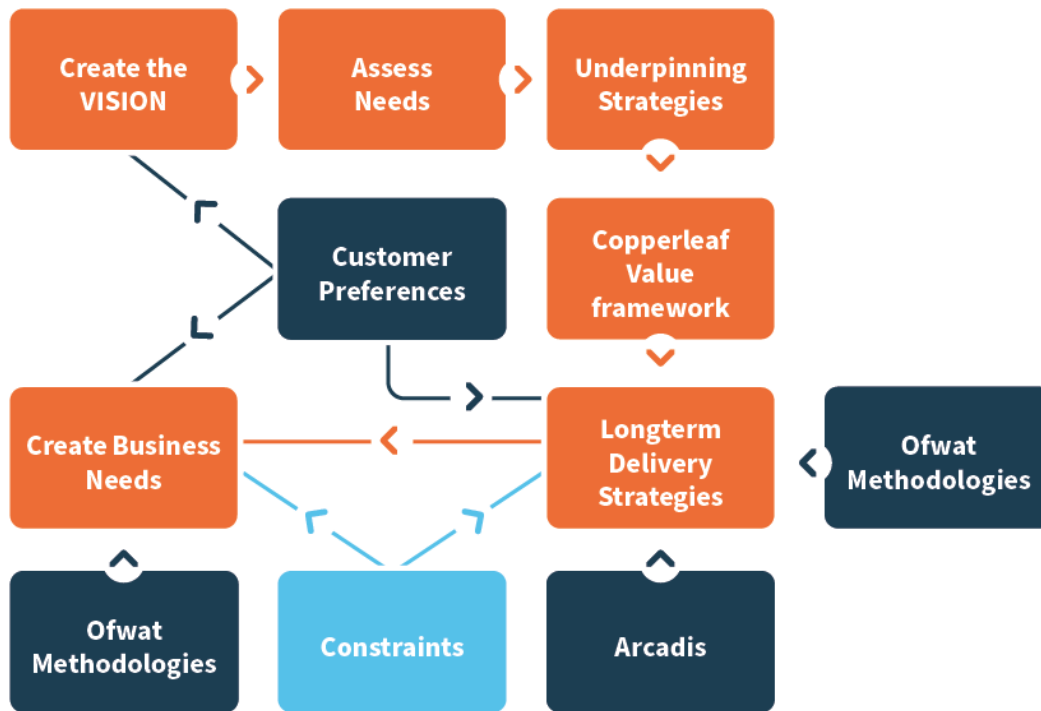
The non-executive Directors have provided robust challenge to the project team in relation to the long-term delivery strategies as well as the core and alternative pathways. This challenge has particularly focused on affordability and willingness to pay, costs and outcomes, risk and reward, and customer engagement.

The challenge includes meeting with customers during the 'Your Water, Your Say', engagement exercise and attending the independent Customer Scrutiny Panel (previously Customer Challenge Group) meetings which have also reviewed the Company proposals.

## B. High Level Process

When the PR24 Steering Committee started its work on the Business Plan it put in place a high level process to consider the investment planning process and how that should feed into the assurance process. This process enabled the Board to have a clear understanding of the link from the initial vision to the assessment of the needs and into the underpinning strategies. The resilience of the proposals were assessed before the proposed direction is agreed and the plans were developed. The process is as follows:

**Figure 1: Business Plan Process**



This diagram shows the process the Board undertook to develop the Vision into initial strategies and then into long term delivery strategies. External influence, including the Ofwat PR24 Methodology, customer engagement and third party review help shape plan to its final state. A key part of the process was the development of the long term delivery strategies and the core and alternative pathways. Throughout the process, the Board challenged the team to ensure that the multiple alternative pathways reflected the emerging Water Resources Management Plan.

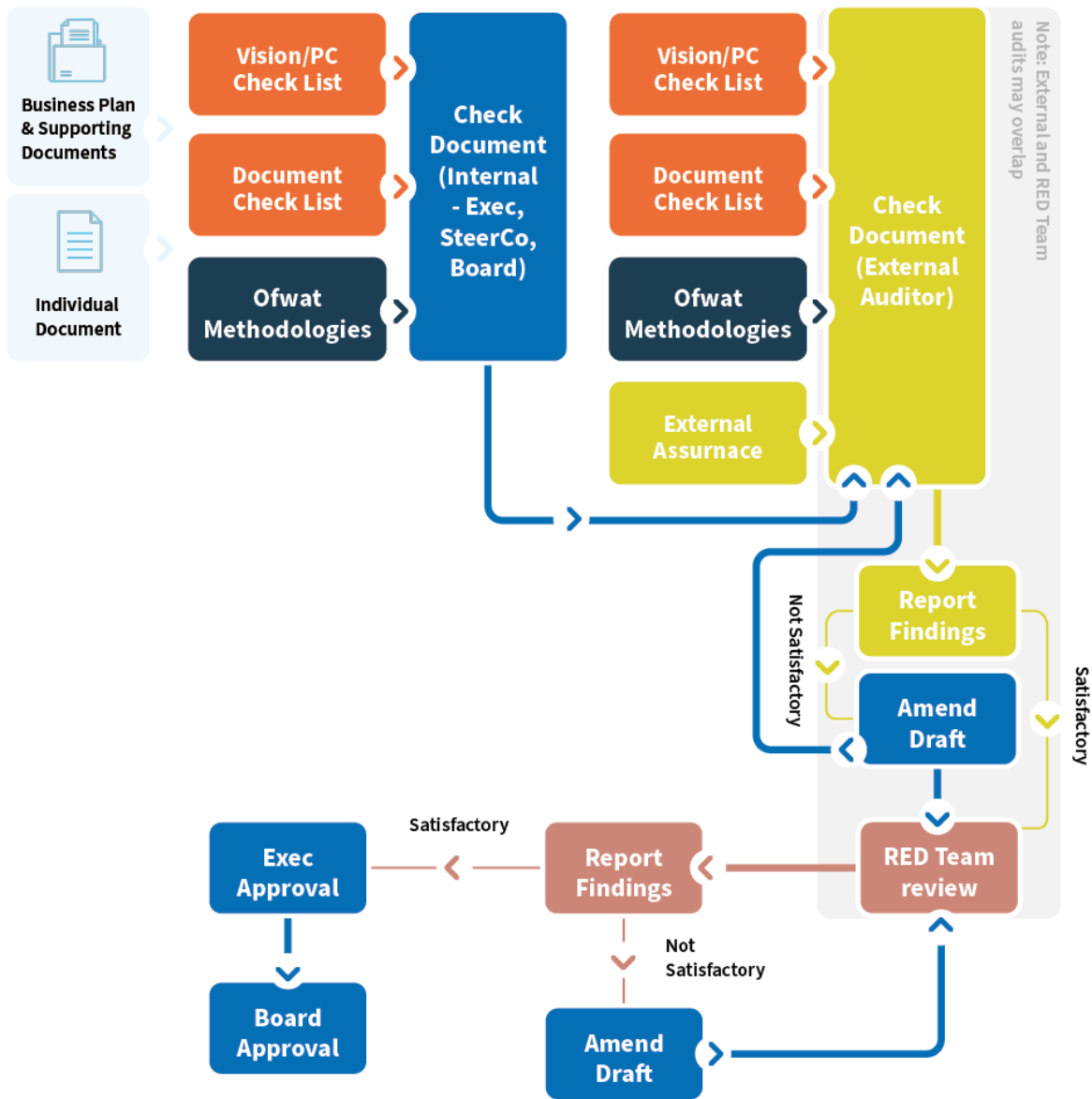
### C. Business Plan Document Assurance

Early on in the process the Board agreed a framework that they would work towards to ensure that they understood the Ofwat guidance and methodology on Board Assurance, were getting sight of all the documents, and were receiving appropriate external assurance on the data within those documents, as and when this was required. Frontier Economics were engaged at an early stage to review the methodology and flagged the need for strong evidence, data quality and ambition, which the Board kept at the forefront of their assessments throughout the assurance process. In addition, through the preparation of the strategies, Arcadis have assessed and reported to the Board that the required methodology is followed.

As the Plans reached the closing stages, the Board put in place independent internal and external reviews of all key documents to check that the aims of the plan were being highlighted.

The diagram below shows the assurance framework, including data assurance, that was implemented.

**Figure 2: Business Plan Assurance Framework**



## D. Business Planning Assurance

### Long Term Delivery Strategy

The Vision was developed by the internal Executive Team in association with the Board. The Board signed off the final version of the Vision in July 2022. Prior to final approval, the Board asked Jacobs to carry out an independent assurance assessment of the Vision and their views were taken into account in the final document.

The long-term delivery strategy has been a core part of the plan development and these strategy papers were drafted by Executives and subject to external challenges from Arcadis and Jacobs. Following those exercises, the Board asked an external 'Red Team' to review the documents for quality, necessity, and cost justification. The 'Red Team' were put together at the request of the Board and comprised four members each bringing a different perspective, as well as wide experience and expertise of the industry. They were involved in two stages of the plan preparation, initially assessing the early stages of the Business Plan and Long Term Delivery Strategy before a full review of the proposed final documents, with a remit of challenging the key aspects. The Board reviewed the external assessments at four successive meetings between July and August 2023. The review also confirmed that the strategies allowed the business to continue to meet its statutory and Licence obligations, while work from Arcadis (iteration 2 and 3) confirmed that the strategy was based on adaptive planning principles.

Blue Marble led the engagement activities to understand customer priorities and their assessment of our proposals. Sia provided independent assurance of the customer engagement work. The Board reviewed the triangulation and synthesis reports and then considered the approach to optimisation and value frameworks at four successive sub-committee meetings between April and July 2023.

The Board reviewed several alternative plan options that assessed how the proposed projects such as Smart Metering should be paid for, both over the term of AMP8, but also whether these costs should be pushed onto future generations to fund. The Board agreed with the customer research findings that costs should be split evenly between current and future customers and price rises should be consistent across the AMP period. The sub-committee meetings in July and August approved these final decisions. In addition, those meetings also assessed and assured the Board that the Company plans were part of a larger long term delivery strategy. This work included assessment and challenge of the core pathway and alternative pathways.

Throughout the process, the Board have also used external assurance to engage and challenge the management team on their strategic proposals. This assurance included work by PA Consulting, Arcadis, Jacobs, and an independent Red Team review.

### Affordability

The Board has taken pride in ensuring that the business has the lowest bills in the sector and there is a desire for that to continue into the future. The Board have also worked hard to ensure that the plan proposals are considered value for money and are affordable.

The Board reviewed the alternative options considered by the Company, known as Plan Choices, attended the Your Water Your Say engagement and reviewed the Acceptability Testing exercise. Section PRT11 of the plan, which addresses making water affordable for all and supporting vulnerable customers, has been reviewed and challenged, in particular the proposals around Social Tariffs. In addition, at their meeting in April and June 2023 the Board, with third party assistance from Sia (who reviewed and challenged the Blue Marble Customer Engagement) assessed the fairness between what existing customers pay and what is paid for by future customers.

In August 2023 the Board received the feedback from the independent Red Team which, in turn, led to challenges from the Board on Affordability and Acceptability. The Combined Bill (with Southern Water) must be considered and tensions between what we wanted to do as a business and affordability were considered. As a result of these considerations the Board agreed that an additional challenge (in terms of scope and efficiency) was required in order to further reduce the proposed bill increases. There was also a challenge on the Smart Metering rollout, but after discussion it was agreed that the demand reductions required under the Water Resource Management Plan necessitate the project.



## Costs, Outcomes and Deliverability

The Board understand the need for the Plan to be stretching but achievable and that it reflects performance improvements from both base and enhanced expenditure. The Board requested external assurance that these targets are being achieved. Arcadis were asked to develop many of the investment cases to ensure that they offer a first line of assurance and Jacobs have assured all the final cases. These were presented to the Directors in May, July and August 2023.

The Board considered an independent Arcadis Report in August 2023, which identified the challenges and approach to delivery in AMP8 and beyond. This report was considered alongside PRT08 supplementary document on the individual investment plans.

As explained earlier, one of the biggest challenges for the Board has been to assure itself that the Company can deliver the plan which continues to grow the business and rolls out a full Smart Metering programme over a 10-year period which, for the first half of its rollout, sits alongside the Havant Thicket completion. In the same period the business is also looking at replacing its three main IT systems. The Board have assured themselves that the successful Havant Thicket procurement process has been largely completed and a similar process is envisaged for Smart Metering. This includes dedicated Project Management Offices (PMOs) and ring-fenced delivery teams, with an increased number of framework suppliers for key investment areas. The Board asked the Red Team to assess deliverability and they expressed confidence that, internally, the Company would be able to deliver the plan. The Board have assured themselves that this includes an increased internal capability to support the commercial, project management and engineering activities. The main Red Team concern was around the supply chain. There is work being undertaken to investigate collaboration with local Tier 2 suppliers, developing contracting strategies to manage supply chain risk, to mitigate against risks such as the supply chain and capacity constraints.

The Board in August assured itself around the Price Control Deliverables and, as explained earlier, also assessed different cost models to ensure the proposals were supported by the customers, were affordable and do not raise bills higher than expected. Their assessment included reviewing the Blue Marble triangulation and synthesis report and Sia assurance on customer engagement, as well as the Your Water Your Say and Affordability & Acceptability testing. Finally, they reviewed and challenged the PRT11 supplementary document which details the proposed affordability approach, including social tariffs.

## Risk and Return, Financeability and Financial Resilience

The Board is aware that the Plan can appear to deliver the innovation, enhancements and stretch that their customers are encouraging, but it must be financeable, both on the basis of the actual Company and on a notional basis. They have reviewed the financeability of the Plan throughout the process at each meeting and have reviewed the 'Gold' and 'Platinum' financial model outputs. The Board reviewed an independent report on financial factors in July which had been prepared by Frontier Economics. The final and crucial independent financial review was completed by Centrus and assessed at the Board Meeting in August.

The Centrus review considered numerous areas such as the significant RCV increases over the next two AMPs, hedging and liquidity. They confirmed that the new equity allows headroom in the downside scenario testing. It was also noted by Centrus that the gearing complies closely with the Ofwat Notional Company requirements.

## Customer Engagement

The Board understood that a step change was required in the customer engagement for this Business Plan. They were keen to partner with Blue Marble for the engagement activities and Sia to provide assurance, prior to further Jacobs assurance of how it is included within the Plan and Long Term Delivery Strategies. Initially the Board challenged the options being offered to customers for their choice, and also the sample sizes. Sia, as part of their formal response to the Board, confirmed that all Ofwat expectations around customer engagement were met (for further information see PRT03).

The Board have asked for feedback on customer engagement at each meeting and decided at an early stage that for them to truly understand customer opinions they needed to be directly involved in many of the activities. Two of the three Independent Directors on the Board have had a hands-on role throughout the engagement process. [REDACTED] has sat on the Customer Scrutiny Panel all year, engaging with a cross section of our customers and answering their

questions. [REDACTED] presented on the First Your Water Your Say panel and answered questions at the highly successful meeting which was attended by over 100 customers. Throughout the process, the Board have also reviewed and discussed the results of the Affordability and Acceptancy Testing that has been undertaken.

The Board noted that the areas most important to customers: supply interruptions, water quality contacts, leakage, per capital consumption (PCC) and mains repairs are all planned to deliver reductions compared to PR19. In particular, the Board challenged the targets for leakage and PCC and asked for assurance that further reductions were not possible and reviewed the risk and deliverability of further reductions.

## Quality and Ambition

Throughout the planning process and activities of the PR24 Steering Committee, the Board have sought to assure themselves that the Company proposals are both ambitious and have been produced to the required quality. As detailed elsewhere in this report, external assurance has been obtained from Sia, Arcadis, Jacobs, KPMG, the Customer Scrutiny Panel and the Red Team review.

Our Red Team comprised a panel of Senior Executive all with direct and relevant experience of the Business Plan process. The Red Team panel comprised:

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

The Red Team undertook two separate reviews of both PRT01 Excellence in Water. Always and PRT18 Long erm Delivery Strategy 2025-2050 and provided challenge and opinion to the Board on content and key issues. Alongside the Business Plan, the Board have had bi-monthly updates on the Water Resources Management Plan (WRMP) and are aware that the key outcomes of that plan needed to be reflected in the Business Plan, including the most significant AMP8 item from the WRMP, Smart Metering.

The ambition is also evidenced with the industry-first partnership with Kraken with the aim of using cross utility data to drive reductions in PCC and energy savings for customers.

Finally, the Chairman attended the Non-Executive Directors Ofwat Conference to understand the Ofwat PR24 ambitions.

## 4. ASSURANCE SUMMARY TABLE

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Ofwat's Final Methodology for PR24 provided a checklist for Company's Boards to review the assurance requirements. The explanation around the assurance work is detailed earlier in this document, but to assist cross referencing, this table details the evidence source. It should be read in association with the released Board Minutes included elsewhere in the submission.

### Document Compliance

Requirement	Evidence Source
<b>Is the document a .pdf file of no more than 30MB</b>	Board sign-off - September 2023
<b>Does the Document describe all PR24 proposals relevant to it and how we will deliver them?</b>	PR24 Submission Document Map and Key Content Papers, Board and PR24 Steering Committee document reviews and document sign off - Board August 2023
<b>Where the Document has cross-references to tables, other documents and commentaries, are they clearly and correctly notated?</b>	Board sign-off - September 2023
<b>The Document should not contain any video files.</b>	Board sign-off - September 2023
<b>Has the Document been saved with a filename PRTnn (where nn is a designated two digit number)?</b>	Board sign-off - September 2023

## Long Term Delivery Strategy

Requirement	Source
Reflects a long-term vision and ambition that is shared by the board and company management.	<p>Vision sign-off - PR24 Steering Committee July 2022</p> <p>LTDS and Business Plan - Board sign-off August 2023. Jacobs Assurance for ensuring document meets Ofwat guidance.</p>
Is high quality and represents the best possible strategy to efficiently deliver its stated long-term objectives, given future uncertainties.	<p>LTDS papers and discussions including at PR24 Steering Committee Papers - July 2023 and August 2023 and Board - July 2023 and August 2023.</p> <p>Arcadis, Jacobs (where asked to review) and Red Team challenges.</p>
Will enable the company to meet its statutory and licence obligations, now and in the future.	LTDS papers and discussions including at PR24 Steering Committee Papers - July 2023 and August 2023 and Board - July 2023 and August 2023.
Is based on adaptive planning principles.	Arcadis Report (Iteration 2 and Iteration 3) and presentation to Board - August 2023
Has been informed by customer engagement.	<p>Blue Marble triangulation and synthesis report and Sia Assurance detailing the customer engagement and findings. Process within development of the LTDS and approach to optimisation and value framework presented at PR24 Steering Committee - April 2023, May 2023, June 2023, July 2023.</p> <p>Non-Exec Director, [REDACTED], sat on the panel in the Company's 'Your Water, Your Say' sessions.</p>
Secures long-term affordability and fairness between current and future customers.	PR24 Steering Committee - April 2023 and June 2023 and Gold and Platinum Model run papers PR24 Steering Committee - July 2023 and August 2023 and Board – August 2023
The 2025-30 business plan implements the first five years of the long-term delivery strategy.	Investment Plan papers to PR24 Steering Committee - July 2023 and August 2023. LTDS and Business Plan drafts and final versions, Our Investment Plan, Jacobs Assurance
Demonstrates evidence of where it has challenged company management and an explanation of the process it has used to arrive at the view that its strategy is the best it can be.	Write up of the process that has been followed of engagement and challenge through PR24 Steering Committee, document review, including use of PA Consulting, Arcadis, Jacobs (in part), and Red Team reviews

## Affordability

Requirement	Source
The full implication of the 2025-30 business plan for customers was considered and that the plan achieves value for money.	As below plus Plan Choices, Your Water Your Say and Affordability and Acceptability Testing. Addressing Affordability and Vulnerability review which details our approach including Social Tariffs.
The long-term delivery strategy protects customers' ability to pay their water bill over the long term and delivers fairness between what existing customers will pay and what is paid for by future customers.	PR24 Steering Committee Papers - April 2023 and June 2023 and Gold and Platinum Model run papers PR24 Steering Committee - July 2023 and August 2023

## Costs and Outcomes

Requirement	Source
The performance commitment levels in the plan are stretching but achievable and reflect performance improvements expected from both base and enhancement expenditure.	PR24 Steering Committees - July 2023 and August 2023. Arcadis challenge as part of LTDS and Jacobs assurance.
The needs for enhancement investment are not influenced by non-compliance or non-delivery of programmes of work (both base and enhancement) that customers have already funded.	<p>Presentation of Investment Cases to PR24 Steering Committee - May 2023, July 2023 and August 2023. Cost Adjustment Cases to PR24 Steering Committee - June 2023.</p> <p>Arcadis prepared some Investment Cases (1st Line of assurance)</p>
The options proposed within the business plan are the best option for customers and a proper appraisal of options has taken place.	Investment Cases plus Jacobs assurance (where asked). Our Investment Plan.
<p>PR24 plans and the expenditure proposals within them are deliverable and that the company has put in place measures to ensure that they can be delivered.</p> <p>This includes setting out the steps the Board has taken to satisfy itself that supply chain risk is manageable and delivery plans account for:</p> <ul style="list-style-type: none"> <li>the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment?</li> </ul>	<p>Arcadis independent report PR24 Steering Committee Paper - August 2023 including identification of challenges and approach to delivery in AMP8 and beyond.</p> <p>Our Investment Plan includes detailed approach and has Jacobs assurance.</p> <p>Havant Thicket example explained, SMART programme PMO and ring-fenced delivery, increased number of framework suppliers for key investment areas, increased internal capability (commercial and project management, and engineering)</p>

<ul style="list-style-type: none"> <li>the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment?</li> </ul>	Increasing supply chain and number of framework partners, collaboration with local Tier2 suppliers, developing contracting strategies to manage supply chain risk.
<ul style="list-style-type: none"> <li>the ability of the company and its supply chain to expand its capacity and capability at the rate required to deliver the increased investment?</li> </ul>	As above
The plan includes price control deliverables covering the benefits of material enhancement expenditure (not covered by performance commitments).	Discussion on key elements for Performance Commitment in paper PR24 Steering Committee - August 2023
That the expenditure proposals are affordable by customers and do not raise bills higher than necessary.	PR24 Steering Committee Papers - April 2023 and June 2023 and Gold and Platinum Model run papers PR24 Steering Committee - July 2023 and August 2023
The expenditure proposals reflect customer views, and where appropriate are supported by customers.	Blue Marble triangulation and synthesis report and Sia Assurance detailing the customer engagement and findings. Plan Choices, Your Water Your Say and Affordability and Acceptability Testing. Addressing Affordability and Vulnerability review which details our approach including Social Tariffs

## Risk and Return: Financeability

Requirement	Source
Provide assurance that the business plan is financeable on the basis of the notional capital structure. This assurance should take account of all components of the business plan, including Ofwat's early view on the allowed return on capital for PR24 (set out in Chapter 7), and consistent with maintaining target credit ratings at least two notches above the minimum of the investment grade. Ofwat expects the Board to set out clearly the steps taken to provide assurance, including the consideration of the financial ratios.	<p>PR24 Steering Committee Papers - April 2023 and June 2023 and Gold and Platinum Model run paper PR24 Steering Committee - July 2023.</p> <p>Gold Model and Financial Factors to Board - July 2023 and Platinum Model to PR24 Steering Committee - August 2023.</p> <p>Frontier Economics Report on financial factors to Board - July 2023.</p> <p>Centrus advisers and KPMG assurance to Board - August 2023 and September 2023.</p>
Set out clearly the steps taken to provide assurance, including the consideration of the financial ratios. (See Chapter 8 for further details).	Centrus advisers presentation to Board (August 2023) and Reward and PRT29 Our Board Assurance documents

## Risk and Return: Financial Resilience

Requirement	Source
Provide an assurance statement that the actual company is financially resilient over the 2025-2030 period and beyond under its business plan.	Centrus reviews and reported to Board - August 2023
Set out the steps it has taken to enable it to make that statement, the factors it has taken account of, and the suite of financial metrics used to ensure the company is financially resilient.	As above but provide further detail in Aligning Risk and Return and Our Board Assurance.
The plan demonstrates the basis on which the assessment has been carried out, including how the base case and downside scenarios have been established and assessed. (See Chapter 9 of the Methodology)	As above.

## Customer Engagement

Requirement	Source
The board should provide assurance that the company's customer engagement and research meets the standards for high-quality research and any other relevant statements of best practice and has been used to inform its business plan and long-term delivery strategy.	Use of Blue Marble to undertake customer engagement, Sia assurance of best practice, Jacobs assurance of inclusion in plan and LTDS. Inclusion in Board Statement to Steering Committee (September 2023).

## Quality and Ambition

Requirement	Source
Does the Plan include the evidence Ofwat requires and to the standard Ofwat requires?	Executive papers, assurance from Sia, Jacobs (assurance test scoring), KPMG and Red Team review all contribute. Board Statement (September 2023)
Does the Plan use Ofwat's assumptions and methodologies or provide evidence to support an alternative?	Executive papers, assurance from Sia, Jacobs, KPMG and Red Team review all contribute. Board Statement (September 2023).
Does the Plan address any feedback from Ofwat prior to the business plan submission?	Executive papers, assurance from Sia, Jacobs, KPMG and Red Team review all contribute. Board Statement (September 2023)
Does the Plan deliver stretching performance from base expenditure allowances?	Executive papers and Red Team review all contribute. Board Statement (September 2023)
Does the Plan show that expenditure proposals are efficient and consistent with our stretching efficiency	Executive papers and Red Team review contribute. Board Statement (September 2023)

benchmarks, with any cost adjustments based on compelling evidence?

Does the Plan demonstrate that enhancement expenditure is well justified, based on adaptive plans, meets customer and environmental needs and makes progress towards delivering relevant government targets?

Executive papers, Arcadis Report, assurance from Jacobs and Red Team review all contribute. Board Statement (September 2023)

Does the Plan propose to deliver best value solutions, by considering wider environmental and social benefits, costs, risks, opportunities for third party funding and the affordability of customers' bills?

Executive papers, Arcadis Report, assurance from Jacobs (in part) and Red Team review all contribute. Board Statement (September 2023)

Does the Plan demonstrate we have engaged meaningfully with our customers to understand their priorities for improved outcomes for those customers, communities, and the environment for 2025-30 and beyond?

Executive papers, assurance from Sia, CSP and Red Team review all contribute. Board Statement (September 2023)

Does the Plan demonstrate we have engaged meaningfully with our customers to understand their views of how and when statutory requirements are best delivered, e.g. the outputs specified in WRMPs and the WINEP?

WRMP process and submission, Executive papers, assurance from Sia, CSP and Red Team review all contribute. Board Statement (September 2023)



## 5. GOVERNANCE AND ASSURANCE

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Production of this supporting document has been undertaken in accordance with internal governance and assurance procedures and processes. Third party assurance has also been provided by Jacobs Global Consultancy.

This comprised initial drafting by an internal Lead Author under the direction of an Executive Owner who retains Executive responsibility for the document content including robustness and accuracy.

The document has undergone three stages of internal review and third-party assurance before being signed off by the Board. Internally this has included:

- i. Executive Owner,
- ii. Nominated Executive,
- iii. Internal Executive Review Team including the CEO and CFO.

Details of the third-party assurance, including findings/opinion, can be found elsewhere in this document.

The Board has been engaged in the development of the business plan and its content through subject specific discussions at monthly PR24 Steering Committee meetings that have taken place since late 2021. Minutes of relevant meetings are included in the Appendix to this document PRT15.01.

# PRT15 APPENDIX



# PRT15 APPENDIX

## PRT15.01 PRT PR24 Steerco Minutes

PR24 SteerCo Minutes

8 March 2023

### PR24 STEER CO

MEETING MINUTES – Wednesday 8<sup>th</sup> March 2023 – 14:00 to 16:00

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>■ introduced the eleventh PR24 Steer Co, outlining the agenda and objectives of the meeting.</p> <p>■ had sent out slides before the meeting. This provided structure for discussion on Plan Choices Consultation, DWI Appendix B, WRMP Consultation Feedback, Common Performance Commitments, Financial Model, Programme and Risks, and 3 month lookahead.</p> <p>■ set out the objectives for the meeting, in which he asked that approval on Plan Choices, whilst all other agenda items were for information and discussion.</p>	
2	<p><b>Actions from Previous Meeting and Matters Arising</b></p> <p>The Feb 23 SteerCo minutes were agreed as a correct record.</p> <p>■ provided an update on actions arising, which are summarised in the slides.</p> <p>■ informed that the Resource Plan and Plan on a Page were in development and an update on resourcing would be included within the April SteerCo.</p> <p>■ informed that 2 of the 3 Red Team members were confirmed. He was still to confirm the third and wanted someone with an environmental background. ■ asked for any suggestions to be sent to him.</p> <p>■ informed that final decision on budget would be made at March Board.</p> <p>No matters arising.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"><li>• ■ to present update on Resource Plan and Plan on a Page at April SteerCo.</li></ul>	

	<ul style="list-style-type: none"> <li>SteerCo members to provide [REDACTED] with suggestions for Red Team member with environmental background.</li> </ul>	ALL
3	<p><b>Plan Choices Consultation</b></p> <p>[REDACTED] presented final draft Plan Choices consultation, and requested approval to publish the consultation on 13<sup>th</sup> March.</p> <p>He confirmed that the consultation had taken on board feedback from previous SteerCo meetings and customer feedback from pilot studies. This includes the removal of the gamification element.</p> <p>The SteerCo confirmed approval to publish, however asked for final minor adjustments to be made changing wording to clarify what is being asked in the survey and to inform under 16's of why they are not able to complete the survey..</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>[REDACTED] to progress with the Plan Choices team to make changes requested.</li> <li>[REDACTED] to progress with launching Plan Choices consultation on 13<sup>th</sup> March.</li> </ul>	[REDACTED] [REDACTED]
4	<p><b>DWI Appendix B</b></p> <p>[REDACTED] presented update on DWI Appendix B submission.</p> <p>[REDACTED] outlined that this was the first stage in getting options related to water quality into the business plan, as DWI approval for the need is crucial.</p> <p>15 options are being put forward, with a range of expected DWI support. Key area of risk was Diesel storage and power supply resilience enhancements, where whilst this was deemed as innovative and a crucial step towards net zero and significantly improved resilience, it comes at a significant price.</p> <p>The SteerCo are fully supportive of all schemes, including the Diesel storage which was felt to be a very good initiative with multiple benefits.</p> <p>The SteerCo acknowledged that submission to DWI is required on 31<sup>st</sup> March. It was agreed that at March Board, formal delegation of authority would be given to [REDACTED] to sign off on behalf of the Board.</p> <p>There were no new actions from this section.</p>	[REDACTED] [REDACTED]
5	<p><b>WRMP Consultation Update</b></p> <p>[REDACTED] provided a summary of consultation feedback on the dWRMP.</p> <p>Overall, there was strong support for the dWRMP, especially from customers.</p> <p>Regulator feedback centred on clarification on detail and ambition (EA, NE) and confidence in choosing the right options and cost (Ofwat). Key areas to improve for fWRMP are on smart metering costs and evidence of supply side options considered. EA response similar for all South East companies and it will be important to ensure that we are clear on licence reductions included and WINEP scheme proposed.</p> <p>Negative views on the Havant Thicket Reservoir Wastewater Recycling was as expected. It was confirmed that we would align behind the WRSE response, but make clear that we do not support if we cannot be confident in wholesome water supply for our customers.</p> <p>It is becoming clear that ambition of EA will be difficult to achieve whilst keeping bills affordable. Late changes to the WRP Guidelines does not significantly affect us, but shows direction towards</p>	[REDACTED] [REDACTED]

	<p>no regrets spend, whilst delaying additional spend where required. This aligns with Ofwat LTDS methodology and signals need to ensure our WRMP is aligned to our LTDS, PR24 and 25-Year Vision.</p> <p>We also need to ensure that Ofwat are clear on our needs before submission and why we differ from other water companies.</p> <p>There were no new actions from this section.</p>	
6	<p><b>Common Performance Commitments</b></p> <p>█ provided an update on progress against common performance commitments.</p> <p>Overall, the direction of travel towards higher marginal benefit (and thus higher ODI rewards/penalties) is positive for us as a high performing company. We are in a strong position on Water Quality Contacts, Leakage, Interruptions and customer focused metrics.</p> <p>Key area of concern are around delayed output from Ofwat from collaborative research, which will affect timescales of business plan delivery. We can also expect further changes to Ofwat thinking as they digest the results of the research and company feedback to early indicative results. Companies are concerned at the difference in results compared to PR19, such as much lower incentives for sewer flooding, and the knock-on effect to public perception on issues.</p> <p>PCC remains key performance commitment risk, as we can expect a tougher than industry average target aligned to smart metering enhancement investment, whilst there are also concerns over CRI, Operational GHG and Biodiversity.</p> <p>The SteerCo discussed ODI target setting, particularly focusing on demand performance commitments. It was agreed that our ambition should be high on leakage and options should be considered to obtain additional investment to outperform, aligned with our 25-Year Vision and feedback from Plan Choices consultation. There was caution over ambition on PCC, where there is less support from customers.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>█ to investigate investment options for further leakage reduction.</li> </ul>	█
7	<p><b>Financial Model</b></p> <p>█ provided a verbal update on the Financial Model progress, outlining that the model had been built, tested and assured with Frontier. █ confirmed that it aligns with required methodology and economic principles and that full assurance of inputs would be provided by KPMG in due course.</p> <p>█ reported that the model includes latest assumptions, all investment programmes, and latest budgets. He informed that Totex investment had increased since the bronze stage and that constraints were now needed to rationalise expenditure against affordability.</p> <p>The SteerCo thanked █ for his update and asked that a further update on the financial model be provided in April.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>█ to present further update on the Financial Model at April SteerCo.</li> </ul>	█
8	<p><b>Programme and Risk</b></p> <p>█ provided a brief update on the programme and risks.</p>	█

	<p>■■ raised an emerging risk around investment resources, with a conflict in time between DWI and Copperleaf requirements for the LTDS. The SteerCo agreed that input into the LTDS was a key activity and therefore additional resource should be obtained through consultancy.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"><li>• ■■ to explore additional resource from Arcadis to assist with LTDS and Copperleaf.</li></ul>	■■
9	<p><b>Lookahead</b></p> <p>■■ presented an updated lookahead of approval decisions and discussion items.</p> <p>The SteerCo commented on the amount of work required and confirm that additional SteerCo meetings can be put in place if the PR24 team feel they are required.</p> <p>No actions from this section.</p>	
10	<p><b>AOB</b></p> <p>No AOB.</p> <p>No actions from this section.</p>	
11	<p><b>Date of Next Meeting</b></p> <p>Wednesday, 12<sup>th</sup> April 2023 – 14:00 to 16:00.</p>	

PR24 Steering Committee Minutes

12 April 2023

**PR24 STEER CO**

**MEETING MINUTES – Wednesday 12<sup>th</sup> April 2023 – 14:00 to 16:00**



ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>■■ introduced the twelfth PR24 Steer Co, outlining the agenda and objectives of the meeting.</p> <p>■■ had sent out slides before the meeting. This provided structure for discussion on customer engagement, the PR24 document submission, the ambition statement, bespoke performance commitments, the investment and adaptive plans, the financial model, programme and risks, value management framework, and the lookahead.</p>	
2	<p><b>Actions from Previous Meeting and Matters Arising</b></p>	

	<p>The Mar 23 SteerCo minutes were agreed as a correct record.</p> <p>█ provided an update on actions arising, which are summarised in the slides.</p> <p>█ informed that Trevor Bishop had been appointed as the third Red Team member.</p> <p>█ provided an update on Ofwat feedback from LTDS meeting in January. Whilst the feedback was useful, it was felt to be generic, and it would have been of greater use if provided earlier. The feedback included no surprises but did emphasise the importance of assurance in the PR24 and LTDS processes.</p> <p>There were no new actions from this section.</p>	
3	<p><b>Customer Engagement</b></p> <p>█ presented an update on customer engagement, in which it was reported there were over 1,000 responses to the Plan Choices consultation. Initial results were provided, with further analysis being completed for May SteerCo. Initial results aligned with expectations, with no surprises. It showed that customers support a gradual bill increase where additional expenditure is shared between current and future generations. Customers also support additional investment beyond least cost in areas such as reducing leakage, lead replacement, non-infrastructure investment, and improving the environment.</p> <p>█ provided an update on Your Water, Your Say (YWYS) session planning. It was agreed that PW should have 5 presenters at the session, who are █ █ █ █ and █. All to be involved in the development of the slides.</p> <p>█ provided feedback on recent CSP meeting, where the CSP were happy with progress on Affordability and Acceptability Testing and the content to be used in the pilot qualitative sessions.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• █ to provide further update on Plan Choices results at May SteerCo.</li> <li>• █ to provide █ with decision on Non-Exec (█) at YWYS.</li> </ul>	<p>█</p> <p>█</p>
4	<p><b>Ambition Statement</b></p> <p>█ provided an update on our Ambition Statement. He stated that it would be built upon our 25-Year Vision, but with additional refinement and focus on key areas such as Havant Thicket, smart metering, and leakage. The ambition statement will also address Ofwat's expectation of 'what base buys', and social value.</p> <p>The SteerCo acknowledged the update and asked for further progress by May.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• █ to update the SteerCo on ambition statement progress in May.</li> </ul>	<p>█</p> <p>█</p>
5	<p><b>PR24 Document</b></p> <p>█ provide a progress update on the PR24 document, outlining its structure and draft templates for discussion.</p> <p>The SteerCo had no concerns over the structure or templates but did raise concern over adequate resourcing to write the document.</p>	

	<p>█ acknowledged the concern but reassured that a team had been set up to ensure timely completion. This included an editor in chief, several external consultants, and the Red Team. There is also additional PW resource starting in the spring that will be focused on PR24.</p> <p>█ reiterated that he had spoken to all Execs and reiterated the expected requirements for writing the document.</p> <p>There were no new actions from this section.</p>	
6	<p><b>Bespoke Performance Commitments</b></p> <p>█ provided an update on bespoke performance commitments (PCs), outlining that we only propose to include 2, both existing PCs on Havant Thicket. SteerCo agreed with this proposal.</p> <p>Ofwat has steered companies away from bespoke PCs towards Price Control Deliverables (PCDs), as this provides protection to customers against enhancement spend. █ presented potential future directions for PCDs around leakage and smart metering.</p> <p>The SteerCo agreed with the future direction principle but raised concern over ensuring the right level of ambition for both leakage and PCC. It was accepted that ambition was required in both areas, but that careful consideration of risk is needed.</p> <p>The SteerCo acknowledged the current importance on smart metering to deliver leakage and PCC reduction and the related risk. The SteerCo wanted to understand more about the interaction between leakage, PCC, and smart metering.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• █ to present on leakage, PCC, and smart metering interaction at May SteerCo.</li> </ul>	█
7	<p><b>Investment and Adaptive Plan</b></p> <p>█ provided an update on the investment plan, presenting the unconstrained options summary and next steps in the process. █ confirmed that the unconstrained list had been developed using bottom-up processes where possible, with gaps filled in through a top-down approach.</p> <p>The SteerCo was keen to understand the assurance requirements of the Board in the process. It was decided that █ and █ would discuss options and present back a proposal at May SteerCo.</p> <p>The SteerCo also raised the importance of ensuring that the investment plan aligns with the PR24 narrative, and that this was clearly outlined in our PR24 submission.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• █ and █ to develop investment assurance plan.</li> </ul>	█
8	<p><b>Financial Model – Silver Model</b></p> <p>█ provided an update on financial modelling progress, presenting a range of future bill profiles. █ highlighted concerns over financeability of the unconstrained investment plan and proposed an alternative smoothed bill approach. This approach aligned with early results from Plan Choices customer engagement and potential delivery restraints.</p> <p>The SteerCo challenged the level of ambition in the proposed Silver Model and asked for assurance that the smoothed bill was the right level of expenditure for PR24. Havant Thicket was used as an example of where additional finances can be raised, whilst alternative delivery options such as outsourcing should also be considered.</p>	█



	<p>■■■ agreed to take comments on board when developing the next stage of the Financial Model.</p> <p>There were no new actions from this section.</p>	
9	<p><b>Programme, Resource, Risk and Assurance</b></p> <p>■■■ provided an update on programme progress, highlighting progress made over recruiting financial assurance resource and outlining mitigation taken against a key risk related to the LTDS.</p> <p>The SteerCo further discussed assurance and it was agreed that ■■■ would be the lead board member and develop the PR24 assurance plan with ■■■ Use of the Red Team to provide additional assurance was also discussed and will be considered as part of the plan.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• ■■■ and ■■■ to develop PR24 assurance plan.</li> </ul>	■■■
10	<p><b>Values Framework</b></p> <p>■■■ provided a progress update on the development of the Values Framework and its alignment with both the LTDS and Copperleaf’s Decision Support Tool.</p> <p>The SteerCo agreed that further knowledge is required of the Values Framework and its use in the optimisation process and asked that a teaching session be provided. It was decided that this would start with an email detailing the process, and then be followed up by a dedicated session of required.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• ■■■ to provide an email to the SteerCo outlining the Values Framework.</li> </ul>	■■■
11	<p><b>Lookahead</b></p> <p>■■■ provided an update on requirements for the SteerCo between now and PR24 submission in October.</p> <p>There were no new actions from this section.</p>	
10	<p><b>AOB</b></p> <p>No AOB.</p> <p>No actions from this section.</p>	
11	<p><b>Date of Next Meeting</b></p> <p>Wednesday, 10<sup>th</sup> May 2023 – 14:00 to 16:00.</p>	

[REDACTED]

[REDACTED]

ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>■ introduced the thirteenth PR24 Steer Co, outlining the agenda and objectives of the meeting.</p> <p>■ had sent out slides before the meeting. This provided structure for discussion on responses to Ofwat consultations related to PR24, customer engagement, the investment strategy, and cases, the PR24 document submission, the single social tariff, programme and risks, board assurance, and the lookahead.</p>	
2	<p><b>Actions from Previous Meeting and Matters Arising</b></p> <p>The Apr 23 SteerCo minutes were agreed as a correct record.</p> <p>■ provided an update on actions arising, which are summarised in the meeting book.</p> <p>■ provided an update on the ambition statement, and its alignment to our 25-Year Vision. He presented results from a mapping exercise. He reported that it would best to discuss at the full May board through an afternoon workshop.</p> <p>■ confirmed that ■ will be our non-Exec presenter on our Your Water, you say session (YWYS).</p> <p>■ asked for an update on the gold financial model. ■ provided a summary update on current progress and reported that the gold financial model had been brought forward to July, with a further platinum model in August.</p> <p>It was agreed that further touchpoints on PR24 was required between May and Oct. ■ agreed to put in place additional PR24 meetings.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• ■ to arrange additional touchpoint meetings on PR24 with Board.</li> </ul>	■
3	<p><b>Ofwat Consultations Related to PR24 – Econometric Models and Special Factors</b></p> <p>■ presented a summary of key concerns related to Ofwat’s updated econometric models, which are used to set efficient cost for base expenditure. He highlighted key risks to be the introduction of average pumping head and reservoir inspections costs, which would result in lower revenue for Portsmouth Water compared to PR19 models.</p> <p>■ stated that our response to the consultation will put forward strong arguments for not including average pumping head due to poor data quality. This aligns with pervious comments from us to Ofwat on the matter. Frontier Economics helped with our response.</p> <p>■ reiterated that irrespective of Ofwat decision on average pumping head, our PR24 plan is expected to remain efficient against Ofwat models, but further stress testing of expenditure is still required.</p>	

	<p>The Board welcomed the update and were happy with the proposed response. They recommended that the best way to land any argument is to keep it as simple as possible to Ofwat.</p> <p>There were no new actions from this section.</p>	
4	<p><b>Customer Engagement</b></p> <p>■ presented an update on customer engagement, including a triangulated summary of plan choices results, an update on Affordability and Acceptability Testing progress, and a final update on the YWYS ahead of the session in the evening.</p> <p>The board welcomed the updates and raised the following challenges and comments:</p> <ul style="list-style-type: none"> <li>• Pleased to see options for customers. Majority of companies plans are only must do activities.</li> <li>• Challenge over sample size of customer engagement research. ■ reiterated that sample size is statistically significant for research, but that this would be reviewed by Sia Partners through customer engagement assurance.</li> <li>• Challenge that as respondents have chosen the highest option for leakage reduction, should a higher option be considered. ■ reassured that the high option covered the fastest feasible reduction timeline, which was already 10 years ahead of government targets.</li> </ul> <p>The Board also discussed potential questions that could be raised at the YWYS session and were reassured that all questions had already been considered by the PR24 team.</p> <p>There were no new actions from this section.</p>	
5	<p><b>Investment Strategy</b></p> <p>■ provide a progress update on the Investment Strategy and its link to the Long-Term Delivery Strategy (LTDS), explaining in detail the LTDS process and current gaps. ■ reported that the LTDS results would be provided in iterations, to be adaptive to improved data from investment plans and updates from WRMP.</p> <p>Iteration 1 is complete, which was based on the unconstrained plan, whilst iteration 2 (including updated WRMP information) will be complete by end of May. Iteration 2 also includes robust internal and consultant challenge of options to ensure that investment plans are efficient.</p> <p>■ clarified the use of Arcadis LTDS modelling and CopperLeaf in developing the plan. Arcadis are creating the 25-year plan in 5-year blocks, with CopperLeaf then optimising the first two 5-year blocks. Each work includes both base and enhancement spend at this stage, although the final LTDS will be enhancement only as per Ofwat requirements.</p> <p>There were no new actions from this section.</p>	
6	<p><b>Interaction Between Leakage, PCC and Smart Metering</b></p> <p>■ presented an example case of the interaction between base and enhancement expenditure, and the importance of understand what base buys. This case was related to the enhancement case for smart metering, and the benefits to both PCC and leakage reduction.</p> <p>The Board welcomed the example and reiterated the importance of understanding what base buys and clearly articulating this in the business plan submission.</p>	

	<p>█ also raised that we could expect Price Control Deliverables (PCDs) against enhancement spend on top of Performance Commitments. Ofwat workshops on PCDs to provide further clarity to companies.</p> <p>There were no new actions from this section.</p>	
7	<p><b>Investment Cases</b></p> <p>█ and █ provided an update on the investment plan, presenting the consolidated list of investment cases, developed from the original investment options. █ gave an example of how the investment case for demand reduction included 13 investment options.</p> <p>The Board thanked █ and █ for the update but were concerned that what was presented was still at a high, theoretical level. They asked when the detail would be available. █ outlined the timeframe, which included:</p> <ul style="list-style-type: none"> <li>• Early June – Constrained modelling complete.</li> <li>• 14<sup>th</sup> June – Update to SteerCo.</li> <li>• After 14<sup>th</sup> June – Feed into Gold Model and create total investment package, including phasing and detail.</li> </ul> <p>There were no new actions from this section.</p>	
8	<p><b>Communications and Engagement Plan</b></p> <p>█ provided an update on the communications and engagement plan, summarising progress to date and focusing on the requirements post-submission in October.</p> <p>█ was keen to emphasise that PR24 engagement had been a significant improvement and that PW should build upon this for business-as-usual activities to help PW continuously improve.</p> <p>The Board agreed and emphasised the importance of customer engagement in the lead up to smart meter deployment, and to co-create solutions to local challenges in the future.</p> <p>There were no new actions from this section.</p>	
9	<p><b>Single Social Tariff</b></p> <p>█ and █ provided an update on the single social tariff progress, feeding back from recent CCW led workshops.</p> <p>It was agreed that the new direction was lower risk to PW, with no cross funding between companies and likely implementation post PR24.</p> <p>█ also provided a quick update on PW current social tariff development and how current plans align with PR24 strategy.</p> <p>There were no new actions from this section.</p>	
10	<p><b>Programme and Lookahead</b></p> <p>█ provided a progress update on the programme and future Board expectations.</p> <p>The Board acknowledged the effort to date but emphasised the importance to increase momentum.</p> <p>It was agreed that the key risk was resource availability of operational staff, especially should there be a warm summer.</p> <p>There were no new actions from this section.</p>	

11	<p><b>Assurance</b></p> <p>█ provided an update on assurance for PR24, outlining the roles of Jacobs, KPMG, Sia Partners and Frontier Economics, and confirming the valuable input from █ as nominated Board lead.</p> <p>The Board welcomed the progress and discussed the following topics:</p> <ul style="list-style-type: none"> <li>• Where do the Board want to challenge?</li> <li>• How will the evidence trail be presented?</li> <li>• What assurances do we have around supply chain concerns?</li> <li>• Where should we focus our deep dives?</li> </ul> <p>█ acknowledged the challenge and agreed to further develop the assurance plan.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• █ to include Board comments in assurance plan.</li> </ul>	
10	<p><b>AOB</b></p> <p>No AOB.</p> <p>No actions from this section.</p>	
11	<p><b>Date of Next Meeting</b></p> <p>Wednesday, 14<sup>th</sup> June 2023 – 14:00 to 16:00.</p>	

**PR24 Steering Committee Minutes**

**14 June 2023**

PORTSMOUTH WATER LTD

**PR24 STEER CO**

MEETING MINUTES – Wednesday 14<sup>th</sup> June 2023 – 14:00 to 16:00

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ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>█ introduced the fourteenth PR24 Steer Co, positively commenting on the progress made over the past month, before then outlining the agenda and objectives of the meeting.</p> <p>█ welcomed our new █, to the Steering Group.</p>	

	<p>█ had sent out slides before the meeting. This provided structure for discussion on the programme and lookahead, presentations from Jacobs and Sia on assurance, and updates on customer engagement, LTDS and investment plans, and Outcome Delivery Incentive (ODI) rates.</p>	
2	<p><b>Actions from Previous Meeting and Matters Arising</b></p> <p>The May 23 SteerCo minutes were agreed as a correct record.</p> <p>█ provided an update on actions arising, confirming that additional meetings had been included in diaries and that board comments had been considered as part of the assurance plan.</p> <p>There were no new actions from this section.</p>	
3	<p><b>Programme and Lookahead</b></p> <p>█ provided a progress update on the programme and future Board expectations.</p> <p>Complications within the regional WRSE plan is having a knock-on effect to our WRMP, and subsequently our LTDS and PR24 plans. The result was that some items have had to be moved to later dates.</p> <p>The SteerCo acknowledged the risk and asked that they be kept informed of all changes, stating that they would be open to further ad-hoc meetings if required. It was agreed that all SteerCo members would provide holiday dates to the PR24 team so that ad-hoc meetings can be efficiently organised.</p> <p>As well as the WRMP, █ highlighted the risk of the delayed Ofwat ODI rate process and potential summer 2023 drought on the PR24 programme, but reassured SteerCo that all risks were being mitigated through increased resource until October and weekly round table meetings with the Exec team.</p> <p>█ also highlighted that good progress was being made on writing the PR24 document despite the delays to other areas.</p> <p>█ added that we now have a dedicated Ofwat contact, █.</p> <p>█ provided feedback from the Ofwat NED conference, which reiterated Ofwat’s commitment to assessing PR24 ambition, and he repeated that the SteerCo must challenge the PR24 on the right level of ambition and that this must be evidenced. It was agreed that an action log of all challenges from SteerCo meetings would be created and included in July Board pack.</p> <p>█ offered our collaborative work with Kraken as evidence of industry leading ambition. The SteerCo agreed that this was an excellent example.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• █ to organise SteerCo holiday calendar.</li> <li>• █ to provide log of all SteerCo challenge from meetings by July board.</li> </ul>	█

<p>4</p>	<p><b>Board Assurance</b></p> <p>■ welcomed ■ to the meeting, to present Jacobs’ role and approach to technical assurance of our PR24 submission, and the role of the board in that process.</p> <p>The SteerCo asked how Jacobs would consider the quality requirements from the PR24 methodology. ■ responded that Jacobs have gone through the methodology in detail as part of their PR24 assurance role for several water companies and would be providing feedback to PW on whether we are meeting these requirements. Jacobs also said that, where possible and not subject to confidentiality, they would share learning from assurance of other companies.</p> <p>The SteerCo asked how our progressed compared to other water companies. ■ reported that whilst some larger WASCs are slightly further advanced, several companies are currently behind PW.</p> <p>■ reiterated that Jacobs have been kept as an independent assurance partner for PR24 and had not been involved as a consultant in any aspect of developing the plan.</p> <p>The SteerCo thanked ■ and ■ for the comprehensive presentation and asked that the slides presented be included in the meeting pack. ■ and ■ left the meeting.</p> <p>■ welcomed ■ to the meeting, to present Sia’s role and approach to customer engagement assurance of our PR24 submission, and the role of the board in that process.</p> <p>The SteerCo asked on Sia’s view on our triangulation of customer research, especially given that the best practice guidance was developed by Sia. ■ confirmed that Sia had challenged Blue Marble and were happy that the approach is aligned with their best practice guidance. ■ mentioned that there is always room for improvement and set out some minor recommendations to further enhance the process.</p> <p>The SteerCo asked how PW could use the customer research completed post PR19 to provide assurance to customers. After discussion, it was recommended that as well as following Ofwat guidance and sharing all research in full, Sia should provide a customer friendly independent report.</p> <p>The SteerCo asked for clarity over the role of the Customer Scrutiny Panel (CSP). Sia emphasised that the CSP are required, and ■ confirmed that they had been engaged and will continue to be so as we progress through final stages of PR24 submission.</p> <p>The SteerCo thanked ■ and ■ for the informative presentation. ■ and ■ left the meeting.</p> <p>Actions from this section include:</p> <ul style="list-style-type: none"> <li>• ■ to arrange for Jacobs slides to be included in the meeting pack.</li> <li>• ■ to arrange for Sia to write a customer friendly independent report of customer engagement post PR19.</li> </ul>	<p>■</p> <p>■</p>
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5	<p><b>Customer Engagement</b></p> <p>█ provided an update on customer engagement, including Your Water Your Say, Affordability and Acceptability Testing, and the Customer Scrutiny Panel.</p> <p>The SteerCo were happy with progress made and asked to continue to be kept informed in future meetings.</p> <p>There were no new actions from this section.</p>	
6	<p><b>Long Term Delivery Strategy (LTDS) and Investment Plan</b></p> <p>█ provided a progress update, which included expected PR24 bill impacts and information on two cost adjustment claims submitted to Ofwat.</p> <p>The SteerCo acknowledged the reduction in bill increase compared to previous updates, a result of efficiency challenges to enhancement expenditure.</p> <p>The SteerCo noted that the bill increase appeared in line with other water companies and acknowledged that customers supported the rise.</p> <p>The SteerCo welcomed the cost adjustment claims. █ reiterated that Ofwat will set a very high bar for approval and emphasised the importance of these investment cases in our October submission.</p> <p>There were no new actions from this section.</p>	
7	<p><b>Outcome Delivery Incentives (ODI) Update</b></p> <p>█ presented a brief update on Ofwat methodology changes to their ODI rates research.</p> <p>At the time of the meeting, we were still awaiting final ODI rates from Ofwat and █ confirmed he would report an update at next SteerCo meeting.</p> <p>There were no new actions from this section.</p>	
8	<p><b>AOB</b></p> <p>No AOB.</p> <p>No actions from this section.</p>	
9	<p><b>Date of Next Meeting</b></p> <p>Wednesday, 12<sup>th</sup> July 2023 – 14:00 to 16:00.</p>	



PORTSMOUTH WATER LTD

**PR24 STEER CO**

**MEETING MINUTES – Wednesday 13<sup>th</sup> July 2022 – 14:00 to 16:00**

[REDACTED]

[REDACTED]

ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>█ introduced the sixth PR24 Steer Co, outlining the agenda and objectives of the meeting.</p> <p>█ had sent out slides before the meeting. This provided structure for discussion on the Vision Statement and an initial review of Ofwat’s draft PR24 methodology, as well as providing background reading on the PR19 assessment and three month lookahead.</p>	
2	<p><b>Actions from Previous Meeting</b></p> <p>█ asked that the June 22 SteerCo minutes be amended to state that she was only able to attend from item 5 onwards.</p> <p>█ provided an update on outstanding actions stating:</p> <ul style="list-style-type: none"> <li>• █ was working on a final social tariff document and it will be completed after discussions with Severn Trent in July.</li> </ul> <p>The SteerCo highlighted the importance of deciding whether to continue to challenge cross-subsidy, or accept the national social tariff and ensure that appropriate protection is put in place for PW customers through a criteria-based assessment and correction mechanism.</p> <p>The Board also stated that it would be prudent to plan for a delay in the national social tariff, as delays expected at Parliament.</p> <ul style="list-style-type: none"> <li>• The LTDS workshop will take place at Sept SteerCo, rather than at Sept Board.</li> </ul> <p>Actions from this session include:</p> <ul style="list-style-type: none"> <li>• █ to update June 22 SteerCo minutes. █</li> <li>• █ to include social tariff paper within Sept 22 SteerCo papers. █</li> <li>• █ to organise for LTDS Workshop for Sept 22 SteerCo. █</li> </ul>	

3	<p><b>Matters Arising</b></p> <p>No matters arising.</p>	
4	<p><b>Vision Statement Review of First Draft Text and Design Concept</b></p> <p>■■■ presented the first draft of the Vision Statement text and design concept for review.</p> <p>■■■ from Create 51 was introduced to the SteerCo. ■■■ has been working on the Vision document as copywriter and was invited to the meeting to hear feedback from the SteerCo directly.</p> <ul style="list-style-type: none"> <li>■■■ stated that the presentation was good, clear and easy to understand, but noted that more work was required on the wording. In particular, ■■■ mentioned the need for increased emphasis on investment, the affordability crisis and long-term thinking, as well as doing more on the social contract. ■■■ also asked for timescales of priorities to be considered to ensure that the Vision is sufficiently ambitious, and challenged ■■■ to include more that showcase how we are different to other water companies.</li> <li>■■■ added that the wording must demonstrate a high level of ambition.</li> <li>■■■ reflected that the link to customer priorities needs to be higher, that we need to state why our Vision is ambitious, and include more on how are going to achieve our stated aims. She also wished for more investment/innovation words in the document.</li> <li>■■■ stated that she liked the design and introductory wording, but would like improvements to page 6 and 8. ■■■ also asked that the word 'customer' be included in all priorities and more be added on affordability.</li> <li>■■■ liked to tone of the document, but asked that it also include 'Excellence in Water. Always' in the title.</li> <li>■■■ challenged the current ambition levels chosen for Leakage and Lead, whilst ■■■ emphasised the difficulty in achieving the PCC targets and recommended that the PCC number be removed in favour for % reduction.</li> </ul> <p>Actions from this session include:</p> <ul style="list-style-type: none"> <li>■■■ to take on board all feedback when completing the Vision document. ■■■</li> <li>■■■ to co-ordinate the completion of the document and release into public domain for end of August 22. ■■■</li> </ul>	
5	<p><b>Initial Review of Draft PR24 Methodology</b></p> <p>■■■ presented a paper outlining an initial review of the draft PR24 methodology. This paper was developed with assistance from ■■■, Frontier Economics, ■■■, ■■■ and ■■■. The deadline for submission is Weds 7<sup>th</sup> Sept.</p> <p>In summarising the document, ■■■ raised a number of concerns, particularly around the incentives linked to Ofwat's assessment of the business plan, and the need for strong evidence, data quality and ambition. He also mentioned that more is required in areas such as affordability within AMP7.</p> <ul style="list-style-type: none"> <li>■■■ noted concern over the national structure, lower gearing and reduction of WACC.</li> <li>■■■ noted concern over moving to a frontier of 85%, aligning to other sectors. ■■■ was also concerned over the risk involved with the proposed open challenge sessions.</li> </ul>	

	<p>It was agreed that [REDACTED] lead on completing our response, with coordination assistance from [REDACTED]. A more detailed summary will be provided via email in August, for further SteerCo comment.</p> <p>Actions from this session include:</p> <ul style="list-style-type: none"> <li>• [REDACTED] to coordinate our response to the draft methodology.</li> </ul>	
6	<p><b>Review of Ofwat's PR19 Initial Assessment</b></p> <p>[REDACTED] presented a review of Ofwat's PR19 assessment of our plan, stating that the key takeaway is that our PR19 submission would be deemed inadequate when assessed to PR24 criteria, and therefore we must focus on meeting the quality assessment in particular.</p> <ul style="list-style-type: none"> <li>• [REDACTED] agreed, noting that there was a lack of evidence across all areas of the PR19 assessment with exception of efficiency.</li> <li>• [REDACTED] added that there is risk that Ofwat will judge all business plans without considering proportionality.</li> </ul>	
7	<p><b>3 Month Lookahead</b></p> <p>[REDACTED] presented the three-month lookahead.</p> <p>It was agreed that Aug 22 SteerCo be removed and move to SteerCo every two months from Sept.</p>	
8	<p><b>Date of Next Meeting</b></p> <p>Wednesday 14<sup>th</sup> Sept – 14:00 to 16:00.</p>	

**PR24 Steering Committee Minutes**

**9 August 2023**

PORTSMOUTH WATER LTD

PR24 STEER CO

MEETING MINUTES – Wednesday 9<sup>th</sup> August 2023 – 14:00 to 16:00

[REDACTED]

[REDACTED]

ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>■ introduced the sixteenth PR24 Steer Co, outlining the agenda and objectives of the meeting.</p> <p>■ had sent out slides before the meeting. This provided structure for discussion on the programme and lookahead, updates on customer engagement, ODI rates and LTDS, and a final opportunity for the SteerCo to challenge the gold financial model.</p>	
2	<p><b>Actions from Previous Meeting and Matters Arising</b></p> <p>The July 23 SteerCo minutes were agreed as a correct record.</p> <p>■ provided an update on actions arising, confirming the gold financial model was presented at the July Board Meeting, with a further update to be presented in this meeting, ahead of sign off at August Board meeting.</p> <p>There were no new actions from this section.</p>	
3	<p><b>Programme and Lookahead</b></p> <p>■ provided a progress update on the programme and future Board expectations, reporting that it has been a very busy four-week period, but all is on track for submission.</p> <p>■ provided an update on progress on assurance and SteerCo requirements for 13<sup>th</sup> Sept SteerCo, an update on progress on final PR24 document and supporting documents, and an update on progress on completing PR24 tables and commentaries.</p> <p>The SteerCo thanked ■ for the updates and were happy with progress made and forward programme.</p> <p>There were no new actions from this section.</p>	
4	<p><b>Customer Engagement</b></p> <p>■ presented an update on customer engagement, focusing on early quantitative results from Acceptability and Affordability Testing (AAT).</p> <p>■ reported that affordability and acceptability was lower than PR19, but there were several reasons for the difference which were outlined in the slides. ■ also stated that support for our plan was significantly higher than for the combined plan including Southern Water sewerage plans.</p> <p>The SteerCo accepted that results were provisional and unweighted and were keen to understand the possible impact of weighting. ■ confirmed that changes were expected to be small.</p> <p>The SteerCo were interested to understand how our results compared to other companies. ■ stated that we are ahead of most in the process, but that all companies that have results are reporting similar trends.</p> <p>There were no new actions from this section.</p>	

5	<p><b>ODI and PC's Update</b></p> <p>█ provided a detailed summary of proposed Performance Commitments targets and ODI rates for SteerCo review.</p> <p>The SteerCo challenged the unacceptably high and disproportionate level of risk associated with using the ODI rates proposed by Ofwat and were keen that the PR24 team explore alternative options. It was agreed that █ produce a paper outlining alternative options to the Board at end of August.</p> <p>Beyond this, the Board were happy with the process undertaken and agreed that targets set were ambitious.</p> <p>Actions from the section include:</p> <p>█ to provide board briefing on ODI rates alternatives at August Board.</p>	█
6	<p><b>Long Term Delivery Strategy (LTDS) and Investment Plan</b></p> <p>█ provided a progress update, stating that Arcadis are now running a third iteration of the model considering changes made over the past fortnight and this would be available in time for August Board meeting.</p> <p>█ also presented a rationalised list of enhancement cases. The WRMP and WINEP letters from EA had resulted in increases to statutory enhancement spend, which had been offset by a further reduction in discretionary enhancement spend. The only discretionary spend left was on Lead and the SteerCo reiterated their view that we should be looking to reduce customer exposure to Lead where possible.</p> <p>There were no new actions from this section.</p>	
7	<p><b>Financial Modelling and Risk and Reward</b></p> <p>█ provided a further look at the gold financial model, as well as early results from Centrus financial modelling assurance, ahead of sign off at the August Board.</p> <p>The SteerCo challenged customer affordability of the plan, pointing out the gold financial model led to bill increases higher than used in customer testing through YWYS and AAT. █ confirmed that the increase was related to the EA letters but would take challenge on board ahead of sign off at August Board. █ confirmed that if bill increases are higher, then further AAT research would be considered.</p> <p>The SteerCo also challenged the step increase in FY26, and asked whether bill smoothing could be applied to help customers with bill increases. █ acknowledged the option but countered that bill smoothing would result in higher bills in final years of AMP8, and that FY25 was artificially low due to FY23 ODI penalty. However, bill smoothing would be considered ahead of August Board meeting.</p> <p>The SteerCo also challenged the risk to financeability of the plan, with gearing increasing through AMP8 to be close to BAA limit. █ acknowledged and would consider ahead of August Board meeting and ensure the business plan has the right balance between financeability and ambition. He also reported that Centrus would also be providing their assurance findings at this meeting.</p> <p>█ also presented potential options to the SteerCo on dividend and executive pay. These were acknowledged by SteerCo who agreed that further discussion would be required in future meetings to decide on policies.</p> <p>Actions from the section include:</p> <ul style="list-style-type: none"> <li>• █ to present final gold financial model to August Board, considering SteerCo challenges.</li> <li>• █ to invite Centrus to present on financial assurance findings at August Board.</li> </ul>	█

8	<p><b>AOB</b></p> <p>It was agreed that the next SteerCo should be extended, given the expected content to cover.</p> <p>No actions from this section.</p>	
9	<p><b>Date of Next Meeting</b></p> <p>Wednesday, 13<sup>th</sup> September 2023 – 12:00 to 16:00.</p>	

## PR24 Steering Committee Minutes

13 September 2023

PORTSMOUTH WATER LTD

### PR24 STEER CO

MEETING MINUTES – Wednesday 13<sup>th</sup> September 2023 – 12:00 to 15:00

[REDACTED]

[REDACTED]

Apologies: None.

ITEM	COMMENTS	ACTION
1	<p><b>Introduction and Objectives of Meeting</b></p> <p>■ introduced the seventeenth PR24 Steer Co, outlining the agenda and objectives of the meeting.</p> <p>■ had sent out slides before the meeting. This provided structure for:</p> <ul style="list-style-type: none"> <li>• Board challenge on the executive summary of the main PR24 document,</li> <li>• An update on customer engagement,</li> <li>• Board discussion on risk and reward and sign-off of dividend policy,</li> <li>• Board challenge on assurance,</li> <li>• An update on expectations for the September Board meeting,</li> <li>• Discussion on the draft chairman's letter,</li> <li>• Feedback from the latest WaterUK Board meeting, and</li> <li>• An update from the latest DWI audit.</li> </ul>	
2	<p><b>Actions from Previous Meeting and Matters Arising</b></p> <p>The August 23 SteerCo minutes were agreed as a correct record.</p>	

	<p>■ asked that a minor amendment be made to the August Board meeting minutes, related to a spelling mistake.</p> <p>■ provided an update on actions arising, confirming that progress was being made with Ofwat regarding ODI rate, with a meeting diarised for Monday 18<sup>th</sup> September.</p> <p>All other actions were confirmed as complete, with updates on many in the meeting.</p> <p>Actions from the section include:</p> <ul style="list-style-type: none"> <li>• ■ to ask ■ to update August Board minutes.</li> </ul>	<p>■ CH</p>
3	<p><b>PR24 Main Document – Executive Summary</b></p> <p>■ provided a general update on main document, stating that progress was going well.</p> <p>The executive summary had been updated, considering feedback from August Board, with key messages circulated directly to the Board ahead of the meeting. The SteerCo welcomed the progress made and raised the following comments for further consideration:</p> <ul style="list-style-type: none"> <li>• Greater prominence of the customer engagement journey, highlighting how we had addressed Ofwat concerns from PR19 and now have in place an embedded customer engagement programme,</li> <li>• Stronger emphasis on how we will address needs of vulnerable customers,</li> <li>• Clarification on customer views on smart metering and how we aim to ensure customer concerns are addressed,</li> <li>• A sharper, more active tone, aligned to tone of chairman’s letter,</li> <li>• A restructure of the wording to ensure important messages are at the beginning, including reference to how we have an “ambitious plan that we will deliver”, and</li> <li>• More wording on delivering Havant Thicket.</li> </ul> <p>The SteerCo also confirmed that they give permission to ■ and ■ to progress and sign off the executive summary on behalf of the SteerCo.</p> <p>There were no new actions from this section.</p>	
4	<p><b>Customer Engagement</b></p> <p>■ presented an update on customer engagement, focusing on updated quantitative results from Acceptability and Affordability Testing (AAT), and updated guidance from Ofwat.</p> <p>■ reported that the AAT had now been completed, with the final report due from Blue Marble by Friday 15<sup>th</sup> September. Top line final results from the quantitative AAT are in line with what has been previously reported and show that over 70% of customers find the plan acceptable, and that over 70% of customers will not find it difficult to afford the bill increases (over 25% of customers said that bill rises were affordable with around 40% stating that increases are neither affordable nor unaffordable).</p>	

	<p>The SteerCo were interested to understand the difference between affordability and acceptability scores. ■ confirmed that the industry had seen the same differences as PW, with the consensus that lower affordability scores are related to general affordability concerns across all customer bills and expenditure, rather than directly related to water bill increases. ■ confirmed that our AAT results are among the highest in the industry.</p> <p>■ updated the SteerCo on latest Ofwat guidance, which confirmed that we can use results for our water only plan, rather than the combined plan. The reasoning behind this decision was that our customers received a separate water and wastewater bill.</p> <p>The SteerCo welcomed this change in guidance and pointed out that the change in Ofwat guidance would result in a change to the chairman’s letter.</p> <p>■ also provided an update on triangulation, summarising a report written by Blue Marble that was included in the meeting pack. This report emphasised that customers support our plan and that the key areas of concern are smart metering and the speed of leakage reduction.</p> <p>The SteerCo raised concern over customer views on leakage and smart metering timings, with some customers wanting leakage to be completed quicker, whilst smart metering to be delayed reducing bill impact. ■ reiterated that the timings of demand options had been determined through the WRMP process. They aligned with the most cost-effective solution and that different timings would lead to further bill rises through inefficient leakage reduction or the need to include supply side options to offset higher customer demand from delayed smart metering. ■ confirmed that explanations of this will be included within the PR24 document.</p> <p>The SteerCo also wanted confirmation that smart metering was the best solution for our customers. ■ and ■ reiterated that smart metering had been externally identified through cost-benefit analysis with Frontier as more cost-effective than dumb metering, and that customers would financially benefit in the long-term. ■ also confirmed that smart metering has support from Defra and regulators, whilst ■ emphasised that the key discussions would be over cost, not meter type.</p> <p>Actions from the section include:</p> <ul style="list-style-type: none"> <li>• ■ to update the chairman’s letter to consider changes in Ofwat AAT guidance.</li> </ul>	<p>■</p>
<p>5</p>	<p><b>Risk and Reward Update and Dividend Policy</b></p> <p>■ provided an update on risk and reward, outlining a proposed dividend policy for SteerCo approval.</p> <p>The SteerCo stringently challenged details and assumptions within the dividend policy to ensure that they were comfortable that the proposed policy protected customers.</p> <p>After receiving assurances from ■ the SteerCo agreed with, and signed off, the proposed dividend policy.</p> <p>They emphasised the importance of making the policy clear within the PR24 submission, so that it can be easily understood by Ofwat. ■ confirmed that full</p>	



	<p>details of the policy would be included in the submission and that a dividend assessment criterion would also be included.</p> <p>There were no new actions from this section.</p>	
6	<p><b>Board Assurance</b></p> <p>■■■ provided an update on assurance, outlining progress made by Jacobs (technical and document), Sia (customer engagement) and KPMG (financial).</p> <p>Jacobs and Sia would present in this meeting, with KPMG at the September Board meeting.</p> <p>■■■ welcomed ■■■ and ■■■ to the meeting to present the Jacobs update.</p> <p>■■■ provided an overview of Jacobs assurance scope, before ■■■ gave an update on progress and outcomes from audits - split into sections on the main business plan, supporting documents, investment cases, and tables and commentaries. ■■■ outlined that progress still needed to be made across several documents and tables, but that there were no significant issues found to date that could not be rectified before submission.</p> <p>The SteerCo challenged the PR24 team on reasons for low audit scores close to submission, but ■■■ reassured that since audits had been conducted significant progress had been made and focus was on material issues. ■■■ confirmed that other companies were in a similar position to PW at this stage, with ■■■ adding that late changes to tables and table guidance, and last-minute recommendations from regulators and Defra, had resulted in delayed progress in some areas.</p> <p>■■■ thanked ■■■ and ■■■ for their update, who then left the meeting, and welcomed ■■■ and ■■■ to present the Sia update.</p> <p>■■■ and ■■■ provided an overview of Stage 2 assurance to date and informed on progress made since Stage 1 against amber areas. Nearly all areas are now green, with assurance of last two reports likely to result in all areas of assurance moving to green before document submission.</p> <p>■■■ confirmed that an assurance letter and full report will be available once AAT assurance is complete, ahead of Sept Board meeting.</p> <p>■■■ confirmed that work will start on an independent customer friendly engagement summary in early October, to ensure completion ahead of YWYS on 20<sup>th</sup> November.</p> <p>The SteerCo welcomed progress to date and had no questions or challenges. ■■■ thanked ■■■ and ■■■ for their update, who then left the meeting.</p> <p>■■■ then presented progress on the board assurance supporting document for comment. The SteerCo challenged whether they had seen enough in the following areas to be able to sign off on the business plan:</p> <ul style="list-style-type: none"> <li>• 'What base buys'</li> <li>• Delivery</li> <li>• Response to Ofwat feedback</li> </ul> <p>■■■ acknowledged the SteerCo challenge and confirmed that significant work has been completed on 'what base buys', which has been assured by Jacobs.</p>	

	<p>■■■ reiterated the progress made on delivery, including through work with Arcadis. ■■■ added that PW early start funding on enabling systems for smart metering (Kraken) meant we were ahead of others in the industry in this area.</p> <p>■■■ also acknowledged that more information on response to Ofwat feedback needed to be provided, but that the work had been completed.</p> <p>■■■ stated that further information on all three areas will be provided via email ahead of final PR24 sign off at September Board and asked that the SteerCo provide him with any other areas where they would like more information by Monday 18<sup>th</sup> September.</p> <p>■■■ asked the SteerCo whether they thought the PR24 process used by PW had been effective, with monthly SteerCo meetings and significant engagement with all members of Board and Exec throughout the process. All agreed that the process had been beneficial and felt that the business plan that will be submitted will be the highest quality ever produced by PW. ■■■ added that the process had also led to higher levels of ownership at Exec level than ever before, and that the plan is better aligned with requirements. ■■■ also stated that we are in a strong position to deliver on our PR24 commitments and start work on our PR29 plan due to the process taken.</p> <p>Actions from the section include:</p> <ul style="list-style-type: none"> <li>SteerCo to provide ■■■ with any further areas where they would like more information by Monday 18<sup>th</sup> September.</li> <li>■■■ to provide more information on 'what base buys' to the SteerCo via email.</li> </ul>	<p>SteerCo</p> <p>■■■</p>
7	<p><b>Lookahead</b></p> <p>■■■ provided the SteerCo with an agenda for the PR24 section of the September Board meeting.</p> <p>■■■ challenged ■■■ to provide documents for some agenda items earlier, so that comments could be given before the meeting and changes made if required. ■■■ agreed and committed to sending out the latest version of the PR24 document immediately, with further updates on Friday 15<sup>th</sup> September. The SteerCo agreed to provide comments back by Monday 18<sup>th</sup> September to allow the PR24 to make necessary changes.</p> <p>Actions from the section include:</p> <ul style="list-style-type: none"> <li>■■■ to send out latest version of PR24 document on Wednesday 13<sup>th</sup> September.</li> <li>■■■ to provided updated PR24 document on Friday 15<sup>th</sup> September.</li> <li>SteerCo to provide comments by Monday 18<sup>th</sup> September.</li> </ul>	<p>■■■</p> <p>SteerCo</p>
8	<p><b>AOB</b></p> <p>■■■ presented an updated chairman's letter for comment. The SteerCo provided the following feedback:</p> <ul style="list-style-type: none"> <li>Restructure letter to ensure key messages are first,</li> <li>Make points on PCC and ODI rates clearer,</li> </ul>	

	<ul style="list-style-type: none"> <li>• Make sure all points make clear what is being asked of Ofwat,</li> <li>• Update section related to AAT based on additional Ofwat guidance,</li> <li>• Ensure introduction and conclusion are getting to the point quickly,</li> <li>• Reword section on dividend policy to provide greater clarity, and</li> <li>• Change style of letter to 'heading and paragraph' rather than bullet point.</li> </ul> <p>█ agreed to make recommended changes and then pass to █ and █ for final discussion and sign off.</p> <p>█ provided feedback on latest WaterUK Board meeting, including providing information on the █ report on financing water industry investment. The SteerCo agreed with the content of the report.</p> <p>█ provided an update on our latest DWI NIS audit, which outlined actions required to achieve the new e-CAF requirements. The DWI has significantly moved forward the deadline to achieve e-CAF and this has subsequently brought forward expenditure (both base and enhancement) into AMP8 that was previously in AMP9/10. █ confirmed that we have committed to completing all actions by the required date of March 2028, completing quick wins within AMP7 and actions requiring significant funding early in AMP8. The SteerCo welcomed the update and agreed with programme put in place.</p> <p>Actions from the section include:</p> <ul style="list-style-type: none"> <li>• █ to update chairman's letter and send through to █ for final sign off.</li> <li>• █ to send letter to Ofwat chair.</li> </ul>	<p>█</p> <p>█</p>
<p>9</p>	<p><b>Date of Next Meeting</b></p> <p>The next meeting will be the September Board meeting, on Wednesday 27<sup>th</sup> September.</p>	

**Board Meeting Minutes**

**30 August 2023**

**PORTSMOUTH WATER LIMITED**

**Meeting of the Directors held via Teams on  
Wednesday 30 August 2023**

**PRESENT:-**

█	█
█	█
█	█
█	█
█	█
█	█

**IN ATTENDANCE:-**

█	█
█	█
█	█

[REDACTED]

## Apologies Received from

[REDACTED]

**Introduction** – [REDACTED] confirmed that the meeting had been set up to allow the Board to have the opportunity to review and influence the key decisions that were being proposed within the PR24 Business Plan. He reminded the Board that there are three key criteria these proposals should be assessed against – Affordability and Acceptability, Financeability, and Deliverability.

He explained to the Board that to reach this position the Board had been involved throughout the process via the Steerco Meetings, there had been numerous third party reviews and the Red Team had recently completed a thorough assessment of main document.

The Board were asked to consider the risk radar of Ofwat and where they believe the Plan should be positioned. There is a balancing act between trying to deliver the key aims we have proposed and avoiding becoming a company that Ofwat will be concerned about.

**Red Team Review** – [REDACTED] reminded the Board of the industry credentials of the members of the Red Team who had completed their review of the main draft Business Plan, before introducing [REDACTED] a member of the Team. He summarised the Red Team review of the Plan and how they believed it had developed since an early version which they had seen. Their main challenge, which was supported by the Board, was that there was a balance between what the business wants to do, what the customer will accept or support, and what Ofwat will allow. He confirmed that the Red Team advice was that we should avoid giving Ofwat an opportunity to challenge the plan. The acceptability testing on the combined bill was challenging and there is a clear tension between what we want to do and affordability.

These comments led the Board to Challenge the roll out plans of the Smart metering project. Should the benefits be tested through the implementation and was it an option to put dumb meters in first.

[REDACTED] confirmed that the business accepted the challenge on Smart but reminded the Board of the demand reductions required for the Water Resources Management Plan, and without the implementation of Smart as envisaged, these would not be achieved. [REDACTED] also confirmed that the early years of Smart is not necessarily just around driving customer behaviour but more discovering the significant customer side losses that we expect to find.

[REDACTED] asked [REDACTED] if, in his opinion, the business could deliver the Plan being submitted. [REDACTED] confirmed that he had no doubt that internally, the Company could deliver. His one reservation was around the supply chain, going against the bigger companies who would be proposing similar schemes.

[REDACTED] confirmed that following the Red Team review, certain changes had been made to the Plan to strike out of enhanced schemes such as the Lead Plans (not DWI required) and the new Head Office (money will be found in base opex). This reduced the bill increase across the AMP to 19%. The Board challenged whether this was appropriate and whether a higher bill

rise should be sought as the monetary value of the increase was relatively small. Would limiting the rise put added pressure on the Company? ██████ advised that, in his opinion, that would be difficult to justify increases to this position as it wasn't raised during the acceptability and affordability testing exercises.

The Board thanked ██████ for his efforts and he left the meeting.

**Affordability and Acceptability Testing** – ██████ highlighted the proposed bill phasing included within the Company Plan. The increase over the next AMP was 19%, or 30% if inflation is included. The totex spend for the AMP will be £307m, a 50% increase on the current five years, and the Long Term Delivery Strategies anticipate a 56% increase by 2055. He also introduced the combined bill increase but noted that of Southern Water's element, around £18 per customer related to Havant Thicket. He confirmed that although the Plan will be reviewed on its own merits, Ofwat will assess the combined bill profiles.

██████ reviewed the Core Pathway costs and explained the reasoning for that Path. This is a low and no-regrets option on the Ofwat four suggested areas and including our own plans on Lead. He then progressed the discussion to consider the Alternative Pathway which reflected the Water Resources Management Plan. This included Smart metering and required additional investment.

The Board were comfortable with this approach but did ask that the Executive reconsidered the bill profile over the AMP to assess options for reducing the larger rises early in the period.

**Key Outcomes** – The Board reviewed the Key Outcomes paper and confirmed that were satisfied that the Plan would be delivering key improvements in the areas that are most important to customers, including Interruptions, Water Quality Contacts, Leakage, PCC and Mains Repairs. There was a discussion on PCC targets and the Board noted that the customer position is clear – with them expecting the Company to undertake all the activities we can do to improve the resource issues (such as improving leakage) before significant work on customer demand is forced on customers.

██████ confirmed that he was confident that on the base case, he believed that Ofwat will be happy with the Plan as spend is reducing compared to PR19. He confirmed that the business had challenged itself that it could still deliver first class performance on this level of spend.

██████ *joined the meeting*

**Financeability** – ██████ confirmed to the Board that the Company had comfortably passed all the financeability tests performed by Centrus. The flexibility around dividends and also the significant equity injection made all the downside scenarios manageable. This is both on the Notional and Actual Position.

He confirmed that the Capital Structure was fit for purpose and explained that the next decision point wouldn't be until 2028 when the first of loan facilities starts to mature. He also confirmed that Centrus had performed Hedging strategy and liquidity reviews which were also all satisfactory.

██████ reminded the Board that the gearing position is explained in the Risk and Reward section of the Plan and he went on to confirm that the unknown issue at this time was the Havant Thicket CAM2 final position which will not be agreed until after submission.

██████████ **left the meeting**

██████████ then introduced the Dividend Policy discussion. He explained that the Plan was resilient, the gearing closely aligned with the notional Company targets and that there was a 50% increase in non Havant Thicket RCV growth proposed.

There were discussions to be held around the proposed dividend levels and whether the Plan should reference the current 4% Ofwat allowed returns, a reduced total yield, or a hybrid which may offer higher yields to Havant Thicket RCV. ██████████ reminded the Board that Havant Thicket revenue will not be recognised until the Bulk Supply Agreement with Southern Water is operational, therefore any dividend on that element would need to be paid from retained profits. The Board did equally accept that the Shareholder had continually stepped up to provide equity for the business and they would expect a proper return.

It was agreed that further discussion between the Board and Ancala was required before a final decision was made on this matter.

**Risk and Reward** - ██████████ confirmed that he had completed his analysis of the potential risk and reward scenarios from the Plan and ODI expectations. In a worst case scenario, the business could be looking at a penalty of up to £25m for PCC performance over the next AMP. Ofwat had been notified of the analysis and the potential impacts. There is a significant penalty position even if the Company achieves all the Plan proposals.

The Board asked ██████████ to continue to engage with Ofwat on the ODI targets for PCC. It was agreed that for the Plan the Company should include the industry profile but set company specific targets.

**Business Plan Delivery** – ██████████ gave details of the Business Plan and highlighted some of the potential key areas that the Board should consider with reference to delivery. He confirmed that all three major IT systems in the Company would be replaced during the period and there is anticipated supply chain pressure for meters.

The Delivery Plan was reviewed and it was noted that this was split into four areas – building capacity and capability, Developing the Supply Chain, leveraging Collaboration and Partnerships, and, finally, Enhancing and Embedding Innovation. The Board challenged the Management Team on each section and ██████████ gave evidence that the business was ready to deliver. He highlighted that the finance was all in place, and early start conversations had taken place with potential framework and delivery partners.

### **Chairman's Letter**

The Board discussed whether there would be benefits of producing a chairman to chairman letter that ██████████ would send to the Ofwat Chair in advance of the Plan submission, and which would pick out the key five or six messages that the Company wanted to make. The Board agreed that this would be a sensible move, and ██████████ agreed to prepare a first draft for discussion. The potential key topics were considered.

### **Any other Business**

**Blue Marble Feedback** – ██████████ asked if she could review the final Blue Marble feedback on customer engagement prior to the Plan submission. ██████████ confirmed that this would be available on at the next Steering Committee meeting on 13 September.

**Overall Plan Presentation** – ██████ asked that the Executive Summary be reduced in size and the current 9 pages is too long. He asked the Team to consider what are the seven or eight messages that they really want to get over and focus on these in the Summary.

**Kraken Presentation** – In response to a question, ██████ confirmed that Kraken will be making a presentation to the Board in September which will assist with their assurance on the importance of the partnership with Kraken during the AMP.

## Extract from Board Meeting Minutes

27 September 2023

### PORTSMOUTH WATER LIMITED

#### Extract of Portsmouth Water Board Minutes – 27 September 2023

**PRESENT:-**

██████	████████████████████
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**IN ATTENDANCE:-**

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#### PR24 – Final Assurance Updates

**KPMG** – ██████ explained to the Board the procedures, mathematical calculations and data assurance exercises that KPMG had completed on the PR24 submission documents. He confirmed that the work was now substantially complete, and there had only been one issue discovered.

The issue where a discrepancy was discovered related to discounted RCV between the nominal Ofwat company calculation and the company specific calculation. The average difference between the two ranged from 0.1% - 0.4%. KPMG advised that this was not a material issue but that they would report the matter in their final report which will be circulated within 24 hours.

██████ confirmed that the numbers to be submitted within the Plan will be based on the Ofwat model and are therefore correct, and corrections will be made to the internal model.

██████ confirmed that all the other data had been assured and he would issue the final KPMG opinion by the end of the week and before the Plan submission.

The Board thanked ██████ and ██████ for their work on this matter.

██████ and Mrs Mokhtar left the meeting.

**Jacobs** - ██████ introduced the final Jacobs draft report which covered the assurance of the Data Tables, Supporting Documents and Investment Cases. The Report confirmed that all those documents are now at a level where they can be submitted.

██████████ also confirmed that Jacobs had been reviewing other Company Plans for submission alongside the Portsmouth Water documents and this gave the Board confidence that they were being assessed on the same basis as others in the sector.

The final Jacobs report will be circulated by the end of the week.

**SIA** – The Board reviewed the final SIA Assurance report and noted the diagram on inclusivity within the document showed a 40% amber RAG rating. The Board understood the discussions that had been undertaken within the customer engagement exercises on ‘hard to reach’ customers and asked that this work be referenced more thoroughly on that page of the SIA report. ██████████ confirmed that he would ask SIA if they were prepared to make that change.

### **Main Document**

The Board had reviewed the Final Draft Main Business Plan and confirmed that they were very pleased with the final document. There will be a final 24 hour period to highlight any grammatical corrections, and it was also confirmed that there will be a lesson learned after submission of what elements of the prepared of the Plan had gone well and where improvements could have been made.

Subject to those final minor amendments, the Board confirmed that they approved the Plan to be submitted to Ofwat on 2 October and at the same time, go into the public domain.

██████████ confirmed that a customer friendly version of the document was being prepared and would issued post-completion of the Plan.

### **Long Term Delivery Strategies**

██████████ explained that Jacobs had challenged the Company on the LTDS, and a number of changes had been made to close the gaps between the original proposal and Jacobs view.

The Document remained slightly less polished than the main Plan and work is anticipated to continue to work on this until submission day.

The Board highlighted a couple of inconsistencies between the Main Plan and the LTDS and ██████████ confirmed that those would be correct prior to submission.

The Board thanks ██████████ ██████████ and ██████████ as well as their teams, for all their efforts in the preparation of the Business Plan documents.

[PRT15.02 Portsmouth Water Phase 3 Final Deliverable – 250923](#)

[PRT15.03 PRT Board PR24 Assurance Letter.pdf](#)

[PRT15.04 Jacobs Documents assurance report](#)

[PRT15.05 Jacobs Data Tables assurance report](#)

[PRT15.06 KPMG Data Tables assurance report](#)





## GET IN TOUCH



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