

PR24 Business Plan and Supporting Documents Technical Assurance Report

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Portsmouth Water

PR24 Business Plan and Supporting Documents Technical Assurance



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1. Introduction

Portsmouth Water (PRT) requested Jacobs to complete assurance reviews of key supporting documents from their overall Business Plan suite, including the Long-Term Delivery Strategy and Enhancement Cases, against the PR24 final methodology guidance. The purpose of the assurance reviews was to evaluate the document structure and proposals put forward and provide an opinion on the completeness of the information presented, in addition to alignment with Ofwat expectations and published guidance. Ultimately the scope of the work was to provide independent assurance to the PR24 Steering Committee and Board of PRT that the documents were well aligned to the Ofwat requirements for submission.

Our document assurance reviews commenced in July 2023 and were completed by the end of September. Multiple reviews were completed for each document as they progressed from draft to final versions and reviews took place remotely.

2. Scope and approach

Our assurance activity has focused on the company's key supporting documents from their overall Business Plan suite, including the Long-Term Delivery Strategy and Enhancement Cases. Liaison between Jacobs and Portsmouth Water on PR24 assurance has been ongoing through 2023 with the assurance audit scope agreed in July 2023. Our assurance is limited to the areas outlined below and intended to support the Board in making an overall assurance statement to Ofwat.

Our approach to assurance comprised offline desk-based reviews of documents and relevant materials supporting the documents. Our assurance is risk and sample based and designed to support your own internal assurance activity.

We provided detailed feedback to your teams for each item that we reviewed. We applied a risk score for the long-term delivery strategy and each investment case we reviewed in line with the scoring approach below.

Table 1: Scoring Criteria used for long term delivery strategy and investment case reviews

Score	Meaning
A	Criterion is fully met (equivalent to low risk – no weaknesses in the approach - no actions)
B	Criterion is not fully met (equivalent to low to medium risk - weaknesses exist but they are modest - must have action)
C	Criterion is only partially met (equivalent to medium to high risk - significant weakness or several minor weaknesses).
D	Criterion is not met (equivalent to high risk – two or more significant weaknesses in the approach.
NA	Not audited as it was outside our scope

2.1 Business Plan

The company's Business Plan *PRT01 Excellence in Water. Always* was assessed with feedback taking the form of a review summary and comments on the draft documents. The Business Plan was reviewed three times over the course of its development, in order to check alignment with Ofwat's PR24 final methodology.

2.2 Supporting Documents

The company's supporting documents for submission included the following items.

- *PRT05 Delivering Outcomes for Our Customers*
- *PRT06 Managing Our Resilience in the Long Term*
- *PRT07 Our Investment Plan*
- *PRT08 Delivering Our Investment Plan*
- *PRT09 Securing Value for Money*
- *PRT15 Board Assurance*

These were assessed with feedback taking the form of a review summary and comments on the draft documents. Each document was reviewed multiple times over the course of its development checking alignment with Ofwat's PR24 final methodology and associated guidance where appropriate.

2.3 Investment Cases

The company's Investment Cases for submission included the following items which formed part of the *PRT07 Our Investment Plan* document:

- *PRT07.01 Security Resilience and eCAF Compliance at Operational Sites*

- *PRT07.02 Raw Water Resilience Enhancements (Disinfection)*
- *PRT07.03 Raw Water Deterioration and Drought Capacity Enhancements*
- *PRT07.04 The Isolation and Recovery of Service Reservoirs*
- *PRT07.05 WINEP and Protecting the Environment*
- *PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)*
- *PRT07.07 Lead Strategy Implementation*

Please note that the original scope included 17 investment cases and two cost adjustment claims, these were reduced to 7 investment cases in August/ September 2023. For more detail, please see Appendix B.

The investment cases were each assessed against assurance test criteria developed from the Ofwat PR24 Final Methodology. Our assurance reviews tested each investment case against 28 test areas across 4 categories of assessment (Evidence, Efficiency, Stakeholder Expectations and Reasonableness). Each assurance test criteria was graded and an overall score given to the investment case based on table 1 criteria. Commentary and an action summary was provided for each case review. Alongside this, the related Ofwat Quality and Ambition assessment criteria was evaluated against each of the investment cases and scored according to table 1 criteria. A separate Assurance Log was maintained which listed actions requiring resolution. Comments on the draft investment case documents were also provided.

We carried out iterative assurance of the draft Investment Cases, comprising three substantive reviews of content, clarity and alignment with Ofwat's PR24 final methodology and associated guidance where appropriate.

2.4 Long Term Delivery Strategy

The company's *PRT18 Long Term Delivery Strategy 2025-2050* was assessed against assurance test criteria developed from the *Ofwat PR24 and beyond: Final guidance on long-term delivery strategies*. Each assurance test criteria was graded and an overall score given to the version of the Long Term Delivery Strategy being reviewed, based on table 1 criteria. Commentary against each score was provided alongside comments on the draft documents. The company's Long Term Delivery Strategy was reviewed four times over the course of its development.

3. Observations and Findings

Over the course of the PR24 assurance, the company showed progress across all documents being prepared for submission. Whilst there was some rationalisation of investment cases, largely linked to evaluation of business priorities and regulatory support, documents held a steady course to submission with improvements shown at each version iteration.

The role of the company's PR24 Steering Committee and key liaison staff ensured an organised approach to document preparation and readiness for review. It was clear that feedback provided from assurance reviews was fed back to technical experts within the company so that improvements could be incorporated into developing versions of documents.

Key material issues that were identified during the assurance reviews included a delayed return of results from customer engagement and affordability testing which prevented early reviews of bill impacts and feedback on acceptability from customers. In addition, optioneering presented across the investment cases was limited. This was largely due to investments being site specific or bespoke to Portsmouth Water with limited options available. The company took steps to resolve these issues before submission.

A more detailed summary of each report reviewed is included below.

3.1 Business Plan

We have undertaken three reviews as the document progressively developed. In the early stages we identified some areas where content was limited and was therefore not meeting requirements from the PR24 guidance. In particular, detail of customer research and clearer articulation on how the plan delivers stretching performance were identified as areas for improvement. By the end of our third review cycle significant improvements were shown with more detailed content and feedback from the previous reviews well addressed. The document provides a good overview of the whole business plan.

3.2 Supporting Documents

The following supporting documents were put forward for submission to Ofwat and three reviews completed with key findings presented below.

3.2.1 PRT05 Delivering Outcomes for Our Customers

As the document developed, we completed three reviews. It was identified in the early stages that more focus on performance levels and customer expectations was required. More evidence on calculation of incentive rates and information on the adoption of a marginal benefit different from Ofwat expectations was needed. At the final review the document presented a supporting narrative for most of the proposed performance commitment levels. The context of performance to date was set out with an explanation of how the company expects to achieve its target and why the level has been selected.

3.2.2 PRT06 Managing Our Resilience in the Long Term

Our reviews of PRT06 found that the document narrative was clear and well structured. In the early assurance stages, it was recognised that the document needed strengthening with more on lessons learnt and approaches to continually improving processes. Further explanation on the risk framework model and Copperleaf was needed in relation to decision making on strategic objectives and risk management. By the final review, the document was much improved and many of the early issues identified had been addressed.

3.2.3 PRT07 Our Investment Plan

Overall, the company has provided clear evidence of the rationale and reasoning associated with the PRT07 Investment Plan. The document reflects on progress in AMP 7 and establishes a baseline of progress to date, setting objectives for AMP 8. There were some minor areas to resolve after assurance Review 2 with it being

noted that the document would benefit from more detailed evidence to strengthen the stated position. Upon final review the document had undergone a significant structural update making the plan narrative stronger and addressing each of the major enhancement initiatives separately. Good evidence was shown of the approach taken, rationale and reasoning behind decisions made.

3.2.4 PRT08 Delivering Our Investment Plan

On PRT08 Delivering Our Investment Plan, the company built their document around four principles which are supported by evidence. Examples are given on initiatives proposed for ensuring a robust delivery of the plan. Sections on capability, resources and supply chain factors are comprehensive and well supported with rationale. In early reviews some areas required further evidence to give more weight to the delivery strategy. At the final review cycle the document included more evidence to corroborate statements with examples and diagrams shown. All early review comments had been addressed appropriately. Overall, the document showed good progression through the reviews completed.

3.2.5 PRT09 Securing Value for Money

The PRT09 document shows evidence of the approach taken with rationale and reasoning presented. The overview of the costing process offers a robust validation from numerous external sources and internal reviews. In early reviews the document required improved links back to the investment cases to strengthen the messaging and more compelling evidence to be added. More was also required on how efficiencies would be tracked and measured in order to achieve targets set. At the final review the document included useful examples and sources of evidence to corroborate statements being made. All early review comments had been addressed and sections included strong conclusions to reinforce and strengthen the messages being presented.

3.2.6 PRT15 Board Assurance

This document is clearly structured and accurately represents the Board Assurance approach and how challenge has been taken through the Portsmouth Water PR24 process. In the first review more evidence on challenges made and outcomes which have led to improvement was identified. By the final review more evidence sources had been added and the assurance summary table showed the requirements being addressed.

3.3 Investment Cases

Over the course of our investment case assurance, the risk scoring has improved progressively for all of the seven cases to be submitted to Ofwat. Outputs from reviews are detailed below.

Appendix A shows a summary of the final assurance review scores on each investment case.

Appendix B lists the excluded investment cases and two cost adjustment claims that were reviewed in the early stage of the assurance process.

3.3.1 PRT07.01 Security Resilience and eCAF Compliance at Operational Sites

In the first review, further work was needed on the risk assessment associated with demonstrating due diligence applications with respect to the proposal. Whilst some risks were identified, the document needed more of a structured approach to the presentation of items. Detail on CAPEX spend was lacking. By the final review the document was much improved with new sections added. Many of the early items were addressed, strengthening the case being submitted.

3.3.2 PRT07.02 Raw Water Resilience Enhancements (Disinfection)

In the early reviews this investment case lacked information on site solution optioneering and the assessment of best value. More quantitative evidence was also required. By the end of the third review the document had improved with many early issues resolved. A section on options had been included but more detail was needed on customer affordability and risk categorisation change through delivery of the scheme. It is anticipated that the company will address these items before submission.

3.3.3 PRT07.03 Raw Water Deterioration and Drought Capacity Enhancements

The document has shown some improvement over the course of the three reviews. In the first review cycle, optioneering was not presented and there was limited reference to customer consultation. Clearer links to how the options at Slindon related to the raw water resilience proposal were required. By the end of the third review the document held a distinct section on options considered but with more to be added on customer support and bill impacts. It is anticipated that the company will address these items before submission.

3.3.4 PRT07.04 The Isolation and Recovery of Service Reservoirs

This document was incomplete at the first review with optioneering not included and missing information on customer support. Whilst the intent of the scope was clear regarding the ability to sample and isolate individual service reservoirs there was limited explanation of the scope at each site to allow for costs. By the end of the third review the document was much improved, setting out a stronger case for investment. The document showed DWI support and improved detail on timing of the proposed investment. At the time of the final review more detail was required in the customer support sections and it is anticipated that the company will address this before submission.

3.3.5 PRT07.05 WINEP and Protecting the Environment

The case has shown substantial improvement through the review process. Originally the proposal required significant work on the narrative structure and evidence presented. Detail on cost efficiency was lacking and collaborative schemes and associated funds were not explained clearly. Customer engagement sections required further work. By the end of the third review cycle the enhancement case showed a better structure with a more compelling narrative. The addition of supporting documents and appendices greatly improved the level of detail available and demonstrated process transparency. At the time of the final review some medium risks were still presenting, largely around costs and ensuring the figures presented aligned with the long-term delivery strategy. Sections requiring further work included customer protection, due diligence, and board approval.

3.3.6 PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)

The case showed improvement over the iterative review process. In the early stages there were limited details on the build-up of costs and benefits into the plan. Links to the water resources management plan needed to be strengthened and detail on optioneering was not clear. Sections on bill impacts and delivery were lacking. By the end of the third review cycle many improvements were shown with details of planning and more compelling evidence included, but with detail still lacking in terms of options considered and the breakdown of base and enhancement benefits. Many placeholders were still shown within the document and will need to be appropriately filled.

3.3.7 PRT07.07 Lead Strategy Implementation

The document showed some improvement over the course of the assurance review process. In the early stages more compelling evidence and narrative was required to strengthen the case being put forward. The options analysis was limited in showing the selection of the preferred solution. Reference to customer research was lacking and information on deliverability was restricted. At the end of the final review, connections to historical work on lead and activities in AMP 7 had been added to the document, in addition to more detail on the selection of the preferred option and information on the solution to be implemented. Many areas will require further advancement and finalisation prior to submission including justification on best value option selection, affordability testing and delivery plans.

3.4 PRT18 Long Term Delivery Strategy

We carried out iterative assurance of the draft long term delivery strategy, comprising four substantive reviews of content, clarity and alignment to the Ofwat guidance. Appendix A shows the summary of the final assurance review score. The assessment scoring has moved progressively higher over the course of the reviews. In the early review stages, additional content on pathway rationale with clearly set out options, costs and trigger/ decision points was required. The inclusion of customer engagement results (particularly on bill impacts) was needed to show evidence of acceptability testing. Limited information on the wider company

scenario and sensitivity testing against common reference scenarios was shown. In the final review cycle the document structure had been substantially altered and reflected a better alignment to the Ofwat expectations. Improved justification for the wider company scenario was included and clearer presentation of the pathway options was shown. Bill impacts and customer acceptability testing on the bill profile was incorporated and additional content on pathway rationale was included.

4. Conclusion

Overall, at the end of our assurance work, for the documents we covered, and other than where indicated above and in our detailed feedback (Appendix A), we consider for our third line assurance:

- The company has the appropriate systems and internal processes in place to identify, manage and review your risks.
- The documents produced are in line with the guidance and your processes and internal systems are appropriate to derive the data and information on which you have based your decisions.
- The company have taken steps to align the PR24 business plan with the Long Term Delivery Strategy.
- Based on assurance observations, the company's processes and internal systems are sufficient to meet regulatory obligations now and in the future.
- The Long Term Delivery Strategy, and therefore the company's business plan and enhancement cases, have been informed by customer engagement.
- The company has evaluated deliverability of PR24 plans and expenditure proposals.

Through the course of the assurance, we made a number of recommendations in our detailed feedback reports. Whilst many were addressed, and those outstanding are of lower risk in directly influencing PR24 outcomes, these should be considered when preparing for future submissions. These recommendations highlight enhancements that could be included within the company's internal procedures and report preparation.

Appendix A. Summary of assessments

As we note in the report above, our assurance approach focuses on the level of risk associated with reports meeting Ofwat guidance. The result of our approach is a score of A, B, C or D with detailed feedback to explain our assessment. In assessing your document, we used a standard scoring framework to produce results that are comparable across the measures. Table 1 below summarises this framework.

Table 1. Summary of scoring framework for our assurance

Score	Meaning for score
A	Low risk – no weaknesses in the methodology and no weaknesses or deviations from methodology in production of data and confidence grade is appropriate
B	Low to medium risk - no material weaknesses in the methodology and no material weaknesses or deviations in production of data and confidence grade is appropriate
C	Medium to high risk - material weakness in the methodology (or number of minor ones with material effect) and material weakness or unjustified deviations (or number of minor ones with material effect) or confidence grade is not appropriate
D	High risk – multiply material weaknesses in the methodology and material weakness or deviation (or number of minor ones with material effect) or confidence grade is not appropriate

Table 2. 'PR24 Investment Cases and Long Term Delivery Strategy Summary' sets out the results of our assessments and summarises our rationale. We consider the summary rationale is consistent with the feedback we provided to your teams.

Table 2. PR24 Investment Cases and Long Term Delivery Strategy Score Summary

Document Title	Score
PRT07.01 Security Resilience and eCAF Compliance at Operational Sites	B
PRT07.02 Raw Water Resilience Enhancements (Disinfection)	C
PRT07.03 Raw Water Deterioration and Drought Capacity Enhancements	B
PRT07.04 The Isolation and Recovery of Service Reservoirs	B
PRT07.05 WINEP and Protecting the Environment	B
PRT07.06 Reducing Customer Side Demand (Universal Smart Metering)	B
PRT07.07 Lead Strategy Implementation	C
PRT18 Long Term Delivery Strategy 2025-2050	B

Appendix B: List of scoped/ audited documents not submitted to Ofwat [Removed from PR24 scope]

1. Head Office Cost Adjustment Claim (New Head Quarters Building, Havant)
2. Extraordinary Capital Maintenance Cost Adjustment Claim (Critical Process Equipment: Extra-Ordinary Costs)
3. Cyber Resilience Operational Technology (Digital Security Resilience)
4. Cyber Resilience Information Technology
5. SEMD Resilience (Physical Site Security Enhancements)
6. Infrastructure Major Risk Mitigation
7. Infrastructure Resilience
8. Open Data
9. Asset Management Development
10. Biodiversity
11. Catchment Management
12. Information Boreholes
13. Leakage Reduction