

# IAP Board Statements



# Board Assurance Statement

## Board response to the IAP

We, the Board of Southern Water, have considered carefully the feedback provided by Ofwat on our Business Plan for 2020-2025. We have been actively engaged in the process of responding to Ofwat's feedback. We have challenged the business to be robust in responding to this feedback, to provide even greater value and protection for customers. In many cases, this has resulted in material changes in the plan. Acknowledging the extent of these changes, we have obtained further technical and strategic assurance to provide confidence that the changes are high quality, ambitious and financeable under both the notional and actual capital structure. Details of this assurance are provided in *IAP\_TA9\_Securing Confidence and Assurance\_Table CA.A6.2*.

In response to Ofwat's feedback on specific Board statements, we are pleased to provide the following (restated) Board statements:

- **Resilience:** The Board is satisfied that the Plan, and the company's governance and assurance processes, will deliver enhanced operational, financial and corporate resilience over the next control period and in the longer term. The investment plan is focused on improving the resilience of water and wastewater services. The company has and will continue to put in place a set of actions, reflecting ethical business practice, to improve operational, corporate and financial resilience. This has been informed by assessments of resilience and risk, the options for managing resilience, and reflects customer views.
- **Cost assessment:** Further work has been undertaken since the publication of our business plan in September 2018. The Plan uses efficient and robust expenditure forecasts. The Board notes that the expenditure forecasts included in the Plan represent a further and significant step change to the company's existing cost base. Large investment proposals presented in the Plan are robust and deliverable, an assessment of options has taken place, and the options proposed are the best for customers over the longer term.
- **Risk:** The Board notes that the plan represents a significant step change in service, costs and efficiency in delivery as benchmarked against best practice elsewhere in the water industry and beyond. The intent of the plan is very clear and there is a detailed understanding of what needs to be achieved. This understanding has been reinforced by further work undertaken since the publication of our business plan in September 2018. The scale of the change programme gives rise to significant risks across a number of areas; the Board has identified and discussed the risks associated with delivering the plan, and considers that the risk mitigation and management plans in place are appropriate for this point in time. Risk and mitigation plans will continue to mature, and these plans will be monitored closely to assure us that customers will be protected from non-delivery.


To satisfy ourselves of these updated statements, we confirm:

- The Board received technical assurance over the bottom-up cost forecasts, and independent input on the top-down cost forecasts used to prepare the plan. This included technical assurance from Jacobs in relation to the options assessment for large investment proposals in the business plan. Jacobs presented its views to the Board at the Board Engagement Day in July 2018, prior to submission of the plan.
- As highlighted in our September business plan, four PR19 Board sub-committees (working groups) were established to allow Board members to provide more granular input on proposals and enable greater Board assurance of details of the plan. One of these is the Delivery and Efficiency sub-committee. This committee has continued to meet since September, with a key focus on the deliverability of challenging totex forecasts (including large investment proposals), as well as wider business plan risks. Through the sub-committee, the Board has reviewed and challenged management on the risk mitigation and management plans in place and is satisfied that these plans are appropriate.

## Board Structure

Our IAP response is being submitted at the same time as the retirement of our Chair, Bill Tame. Bill, whose retirement takes effect on 1 April 2019, has supported the Board assurance and governance around our response, and his name and signature appear below by way of endorsement alongside all the other directors.

From 1 April 2019, Senior Independent Non-executive Director, Paul Sheffield, will act as Chair pending the appointment of Bill's permanent successor.



**Richard Manning**  
Company Secretary



**Mike Putnam**  
Independent non-executive director



**Sebastiaan Boelen**  
Chief Financial Officer



**Wendy Barnes**  
Non-executive director



**Sara Sulaiman**  
Non-executive director



**Ian McAulay**  
Chief Executive Officer



**Paul Sheffield**  
Senior independent  
non-executive director



**Rosemary Boot**  
Independent non-executive  
director



**Bill Tame**  
Chairman



**Gillian Guy**  
Independent non-executive  
director

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