

Bournemouth and West Hampshire Water Draft Business Plan - Reporter's Public Summary (one page summary)

Introduction

1. Bournemouth and West Hampshire Water (BWH) has prepared a Public Summary of its Draft Business Plan (DBP) in line with Ofwat's requirements as part of a series of submissions for the PR09 price-setting process. The purpose of the DBP is to inform stakeholders of proposed future service standards and to set out a supported and costed business case with associated costs, benefits and price impacts. The DBP will be used by Government Bodies and Regulators to make strategic decisions with regard to the provision of water services and prices between 2010 and 2015. Ofwat will determine prices using the Company's Final Business Plan (FBP) to be submitted in April 2009 which will incorporate feedback on DBP.
2. BWH's DBP is a comprehensive document. The DBP describes how the Company will meet the first five years of its longer term strategy and sets out its approach to business planning, supporting studies, projected activities, outputs and costs and the associated price implications necessary to properly finance the business. The plan will need refining for the FBP due to uncertainties in a number of areas.

Reporter's Role

1. The Reporter's role is to provide independent opinion to Ofwat on the Company's regulatory submissions by checking compliance with regulatory requirements and advising Ofwat of material discrepancies. Ofwat approves Reporter appointments and regulates their activities through an agreed protocol.
2. The purpose of this Summary is to provide independent commentary on BWH's Public Summary of its DBP, to confirm or otherwise

whether the Company processes used were adequate, whether the plan is well founded and whether the Public Summary is consistent with the full DBP submission.

3. We have extensively audited the DBP in line with Ofwat's requirements. Our audit included checks on BWH's processes, controls and assurance arrangements and our team of experts and specialists examined the underlying customer research, costs and performance assessments and analysis. We checked the submitted data, compliance with Ofwat requirements and challenged the Company on areas of materiality.
4. We have provided commentaries on each section of BWH's DBP and have identified issues which still need to be resolved prior to submission of the Final Business Plan (FBP) in April 2009.

Liaison with Regulators and Financial Auditors

1. Throughout the preparation of DBP, we have maintained an ongoing dialogue with Ofwat and an open liaison with the Quality Regulators (Drinking Water Inspectorate, Environment Agency and Natural England) to confirm their support for the quality enhancement schemes. We attended Ofwat's Director-level review of the DBP.
2. We have liaised with the Company's financial auditors to establish the validity of assumptions and supporting data and shared information on audits.

Cooperation from the Company

1. Despite the very tight timescale, we confirm having received full co-operation from management and staff at all levels. We have been given access to data as required and have received all the documentation requested to enable us to conduct

our audit and are aware of no information having been withheld by the Company.

2. We have had an ongoing liaison with BWH's Directors and the Reporter attended BWH's Board Meeting on the 8th July 2008.

Reporter's Opinion

1. We have audited and reviewed the different elements of the Draft Business Plan and confirm that:
 - BWH has fully reviewed the services it provides and its operating environment. The plans for future services are guided by stakeholder consultations and information from regulators on expected requirements.
 - Company processes used were adequate, the plan was well founded, and the Public Summary is consistent with the DBP – in particular that 'the overall strategy' and the 'quality and service' improvements outlined by BWH in its Public Summary are consistent with our understanding gained by our scrutiny of BWH's DBP.
 - Costings are based on historic costs and are appropriate for the purpose of business planning.
 - The Company has made an assessment of future operating and capital cost efficiencies. These will need revisiting before submission of the FBP April 2009
2. We have noted where specific uncertainties arise in the Company's plan and will revisit these areas when we audit the FBP in April 2009.