



**PR09
DRAFT BUSINESS PLAN**

REPORTER'S REPORT

SUMMARY

Reporter's Public Domain Summary

Review of Company processes

This is the first business plan that the newly formed South East Water (SEW) has produced. We have reviewed the process the Company has used and we have evidence that the Board has been intimately involved in its development from the outset. The Board appointed three executive and two non executive members supplemented by key personnel from the Company to form a group which met at monthly and, latterly, at two weekly intervals to coordinate and progress the exercise. Company executives made regular presentations to the full Board and we presented our interim findings to the same forum.

Although the methodology for authorisation has not been prescribed in formal quality assurance procedures, key executives have been responsible for ensuring and signing off the consistency and accuracy of the information and narratives submitted. We have suggested that the formalisation of data validation procedures requires further attention to which the Company has responded positively that the final plan will address the issue. SEW points out that in part, this is a natural consequence of any draft plan which is part way through its continuing development.

Significantly, SEW has sought to obtain ownership of the plan throughout the Company by involving those who will be responsible for its implementation amongst engineering and operational staff. In summary, we consider that the business planning process has been effective. Although further changes are anticipated, we consider the result to be a coherent and reliable draft business plan.

Consistency of summary with the body of the plan

We have examined the Company Strategy document and from our knowledge of the detailed elements of the plan we consider it a fair and comprehensive reflection of the plan. We also think that the description of the strategy reflects the contents of the tables.

SMC has checked with SEW the source of numerical data reported. We have conducted audits with the staff responsible for producing the numbers and found the explanations were satisfactory.

Cooperation with the Company

Producing a detailed, longer term plan immediately after the merger will almost certainly prove beneficial for integrating people from the two companies and providing them the opportunity of working together. Nevertheless, the activity has equally certainly brought with it hard work and concerns about change. We are therefore particularly glad to emphasise that the cooperation of people, not only in daily contact with us, but those too across the company who have contributed information and explanations has been helpful, intelligent and responsive.

Senior managers have been directly involved in most of our audits. This has ensured that we have heard the company's positions directly from those who have been involved in developing the plan and have had the opportunity to question the arguments with their proponents. However, our work has required detailed examination of the sources and consistency of a great deal of numerical data. Our work has also meant that we have directly questioned and challenged the work of the managers, engineers and business analysts who have produced the data. We can report that the cooperation and patience of everyone providing us with the information has been most positive.