

RE: **Governance overview of BAF in practice**

Purpose: **To detail the three elements of governance as part of BAF**

Date: **February 2020**

1. Overview

The purpose of this governance document is to consolidate the three primary mechanisms within the United Utilities Bid Assessment Framework (BAF) that bring oversight to ensure transparency and equal treatment in the process. The core premise of the BAF is to ensure third party organisations can have confidence that their proposal has been treated equally and that the outcome, successful or not, was as a result of an objective and transparent process conducted on a level playing field. These oversight mechanisms consist of the following:

- **The BAF Review Committee** – the primary purpose of which is to review (1) incoming proposals to ascertain suitability and action route, and (2) to review outcomes from those action routes and to provide recommendations to the normal United Utilities governance structure
- **The BAF Assurance Approach** – consisting of three elements, this is the mechanism through which we ensure the process is both structured, and then operated on an equal treatment basis
- **The BAF Complaints Procedure** – this exists to ensure that all third parties are provided with a clear and robust escalation route in the event that they wish to raise queries or complaints

2. The BAF Review Committee

BAF Review Committee Terms of Reference

Objective

As detailed within the main Bid Assessment Framework Document, specifically the BAF Process, the Review Committee exists to both (1) review incoming proposals, and to (2) review outcomes from the related action routes (detailed below).

As BAF submissions may be made from the market at any time, the objective of the review committee is to ensure that BAF submissions are evaluated consistently to determine the most suitable course of action in response to proposals. The committee may determine one of four possible outcomes when dealing with incoming proposals, these are referred to as the 'Action routes'.

Action Routes for incoming proposals

1. **Directed towards Innovation 'Ideas'** – Ideas is United Utilities external supplier facing portal for any third party to get in contact with the business to propose any form of innovation or suggestion that may improve United Utilities service to customers. Should a proposal be received via the BAF page but not relate to the BAF focal areas, the third party will be directed

towards the 'ideas' landing page so that their proposal can be assessed in line with our normal processes.

In addition, details will be provided to third parties around our award winning Innovation Lab process and how they could look to engage with that process to see their solution or proposal come to life

- a. Innovation Lab - <https://www.unitedutilities.com/corporate/about-us/innovation-lab/>
 - b. Ideas page - <https://www.unitedutilities.com/corporate/about-us/innovation-lab/idea-proposal-form/>
2. **Deferred until Full BAF** – Under this option, the proposal isn't assessed as being suitable for the creation of an 'Early BAF' and the review of the proposal is deferred until the full periodic BAF process is undertaken. Details of the periodic process are provided within the main Bid Assessment Framework Document.
 3. **Early BAF** – Under this option, the proposal is assessed as being suitable for a dedicated process to be commenced to ensure that the potential value of a proposal can be realised as soon as possible. Details of the early process are provided within the main Bid Assessment Framework Document.
 4. **More information required** – This option allows the committee to probe proposals further, especially if they potentially warrant an Early BAF but information has not been provided in enough detail to allow that decision to be made. The key aim here is to ensure third parties are given as much assistance as possible when submitting their proposals and where reasonable, Early BAF's are conducted to maximise market led opportunities.

Determining the Action Route

To ensure objectivity and transparency, two key elements in the assessment process have been enhanced to provide surety to third parties that their proposals are treated equally. These are the:

- **The BAF Criteria Document** – This details the objective criteria to be applied in determining the appropriate action route by the BAF Review Committee. This is a standalone document that provides third parties with criteria against which their proposal will be judged by the committee. The criteria are unique to suit the specifics of demand management, water resources and leakage accordingly and are designed to give third parties a level playing field on the specific merits of their proposal.
- **The BAF Committee Members** – To ensure transparency and equal treatment, the committee has been selected based on need, but also includes an additional external member to provide surety to third parties that their proposal has been treated appropriately. The roles include:

Role	Title / Business Area / External
Chair	UU - Commercial Director
Procurement Lead	UU - Head of Regulatory Procurement
BAF Process Manager / Secretary	UU - Category Manager – Commercial
Technical – Water Resources	UU - Asset Management

Bid Assessment Framework

Governance Document



Water for the North West

Technical – Demand Management	UU - Asset Management
Technical – Leakage	UU - Asset Management
<i>Independent Member</i>	<i>CIPS – Procurement Excellence Consultant</i>

As required, additional members may be required from functions such as Legal, Audit, Commercial, Operations, Economic Regulation and Customer. These additional invites will be at the behest of the Committee Chair and will be to add the review process as required. The Senior Responsible Officer (SRO) (see below) may also attend with or without express invite to review the actions undertaken by the committee or to provide additional guidance.

The Independent Member

Provided by the Chartered Institute of Procurement and Supply, CIPS serve as an independent body they can uniquely provide oversight unto the Review Committee to ensure proposals are treated equally against the objective criteria. As the professional international body for procurement, their independence and capability in understanding the complex merits of the BAF process and its procurement process relevance is critical in ensuring that third parties are treated equally.

While the role of the Regulatory Procurement team within United Utilities is to ensure bidders are treated equally when undertaking procurement activities, the addition of an independent member to the BAF Review Committee is seen as going an additional step further in providing independence and surety to third parties that their proposals are being treated as equally as possible.

NOTE: The independent Member can (1) raise concerns or challenges via the minutes which will be collated as part of the communications plan to both the website and into Ofwat, or (2) via the BAF Complaints Procedure detailed within this document.

The Senior Responsible Officer (SRO)

To give clarity in terms of organisational governance for the Review Committee, a Senior Responsible Officer (SRO) must be nominated. That person must have an appropriate role within the business in terms of governance and oversight. Due to the importance of the BAF, the SRO for the Review Committee is the General Counsel & Company Secretary, ultimately responsible for both the Commercial and Legal functions while being an executive team member and board attendee.

Outcome reviews by the committee

In addition to the review of incoming proposals, it will be the responsibility of this committee to oversee and review the outcomes of any of the BAF action routes. That DOES NOT include outcomes from the 'ideas' process as those are no longer BAF relevant. It does include outcomes arising from any Early BAF, Periodic / full BAF aligned to the WRMP and in terms of any additional information arising from requests made to third parties.

NOTE: The Committee will also address any BAF relevant communications plans and guidance issued by Ofwat to determine and propose any process improvements.

NOTE: Communications requirements arising from the BAF Review Committee and broader BAF process will be captured in the minutes with the production of content the responsibility of the BAF Process Manager / Secretary with the support of the Economic Regulation team.

Committee Authority

Key to the operation of the Committee is to provide clarity on its authority within the United Utilities governance chain. These authorities include:

- Irrespective of potential expenditure, the BAF Review Committee may propose immediate implementation for proposals with high readiness and high potential (subject to the procurement legislation)
- Submissions with a likely expenditure of less than £100K will be referred directly to the next periodic BAF
- The Committee may instruct the immediate start of an early BAF process or request further analysis
- The Committee will be informed of the outcome of any concluded BAF process
- The Committee may instruct market engagement to be undertaken to stimulate bids
- The Committee WILL NOT meet if there are NO PROPOSALS to review or NO CONCLUDED BAF PROCESSES to oversee
- Outcomes from the Review Committee are to be communicated to the SRO and in accordance with the communications plan. Inclusive of 6 monthly updates on the website and into Ofwat
- Assurance of this committee is required, both in terms of its decisions, but also the manner in which they are undertaken. This role is undertaken by internal Audit. Refer to BAF Assurance Approach for details.

Additional Committee Meeting Details

This meeting can only occur if quorate membership is achieved. Quorate is determined as being a minimum of the Chair, the Procurement Lead, the BAF Process Manager / Secretary, the Independent Member and the relevant Technical Lead based on the proposals under review.

The meeting will take place quarterly.

Additional Review Committee meetings may be arranged to address a particular proposal received if accelerating its review is deemed of value.

Additional attendees will be invite only and at the behest of the Review Committee Chair, except for the SRO who can attend by decision.

Minutes will be distributed among all members and to the United Utilities board for noting where appropriate.

3. The BAF Assurance Approach

To ensure that the entirety of the BAF approach in practice aligns to the aspirations of its design, the assurance approach is aligned to its three key aspects. These include:

- The end to end BAF process itself, from portal through to decision/action
- The operation of the BAF Review Committee
- The operation and delivery of any BAF activity, full or early

By focusing on these three key elements, the assurance approach can ensure that while extensive efforts have been made to design an equal, robust and transparent process for third parties, that process is then operating in the manner it was intended.

To achieve this, the Internal Audit team within United Utilities will provide the above assurance requirement. This will be done in two ways:

- Annual review – this will consist of an assurance review that will form part of the communications plan to go onto both the website and into Ofwat. It will review the entirety of all BAF related activity during the annual timeframe. It will provide a RAG rating for all the defined activities and any associated improvement considerations as necessary.
- Process outcome review – this will consist of an assurance review that will take place at the culmination of any BAF process, with full or early. This will consist of review of the key steps, actions and decision points to ensure the outcome is aligned with the principles communicated within the BAF process. It will provide a RAG rating for all the defined activities and any associated improvement considerations as necessary.

4. The BAF Complaints Procedure

Where any third party wishes to raise a concern or query about the BAF process, inclusive of any process undertaken within it, a formal complaints procedure will be followed.

Specific details will be provided on a case by case basis within the Procurement Documents when a BAF (full or early) process is undertaken, but the general complaints procedure shall follow the stages set out below:

1. Initially, any complaint or issue should be raised with the Regulatory Procurement Team, via the Electronic Procurement Portal or via Regulatory Procurement team mailbox (RegulatoryProcurementTeam@uuplc.co.uk). At this stage the team involved in the assessment are required to validate any scores given and investigate any issue raised and report back to the third party in question with details of their findings;
2. Following stage 1 above, in the event the response above is not sufficient the matter can be referred to the BAF Review Committee for review and discussion;
3. Upon completion of the review in 2 above, and upon being given a decision by the Head of Regulatory Procurement, if the Bidder is still not reasonably satisfied then a final referral for internal review can be made to the Head of Regulatory Procurement and the Commercial Director of United Utilities.

Should an issue remain after the provision of a final decision under the above complaints procedure, Bidders will need to seek formal, legal redress via the appropriate route and no further internal review of the process will be undertaken by United Utilities.

NOTE: Any and all queries from third parties, challenges and disputes arising from Review Committee decisions or due to the outcomes of BAF processes will be captured via the communications plan and will be open to scrutiny by the Assurance Approach and by Ofwat.

NOTE: The independent member of the Review Committee is able to escalate concerns relating to decisions made or actions taken within the broader BAF process to ensure transparency. In the first instance, these are to be captured via meeting minutes and require one of three escalation points:

- Request Resolution / Response from the Regulated Procurement Team on a process issue
- Request Resolution / Response from the Head of Regulatory Procurement on a process outcome
- Request Resolution / Response from the SRO on a decision made by the Review Committee

In circumstances where the three escalation points do not satisfy the query made by the Independent Member, they can then escalate to the internal audit team to ensure their concern or query is raised and noted as part of the communications plan via both the website and into Ofwat.

5. Contact details

Any queries in relation to this Framework or United Utilities' procurement generally should be directed to:

Head of Regulatory Procurement
United Utilities Water Limited
Grasmere House
Lingley Mere
Warrington
WA5 3LP

Email: RegulatoryProcurementTeam@uuplc.co.uk